



USS

1975 Annual Report

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STEEL MANUFACTURING • FABRICATING & ENGINEERING • CHEMICALS • TRANSPORTATION SUBSIDIARIES • CEMENT & OTHERS

Contents

At a Glance.....	1
To the Stockholders.....	2
1975 Highlights.....	4
General.....	4
Capital Spending.....	5
Environmental Control.....	5
Energy.....	6
Research & Development.....	8
Dividend Reinvestment Plan.....	8
Foreign Competition.....	8
Investments in Unconsolidated Companies.....	9
Lines of Business.....	10
Employee Relations.....	18
Contributions.....	18
Selected Highlights—Trends.....	18
Capitalizing Today's America for Tomorrow's Prosperity.....	20
Financial Statements.....	22
Combined Pension Trusts.....	30
Organization.....	32

In this Report, amounts in round numbers are approximate. "U. S. Steel" refers to parent corporation, subsidiaries, or both, as required by context. USS, CYCLONE, COR-TEN and POLY FLOAT are registered trademarks of U. S. Steel.

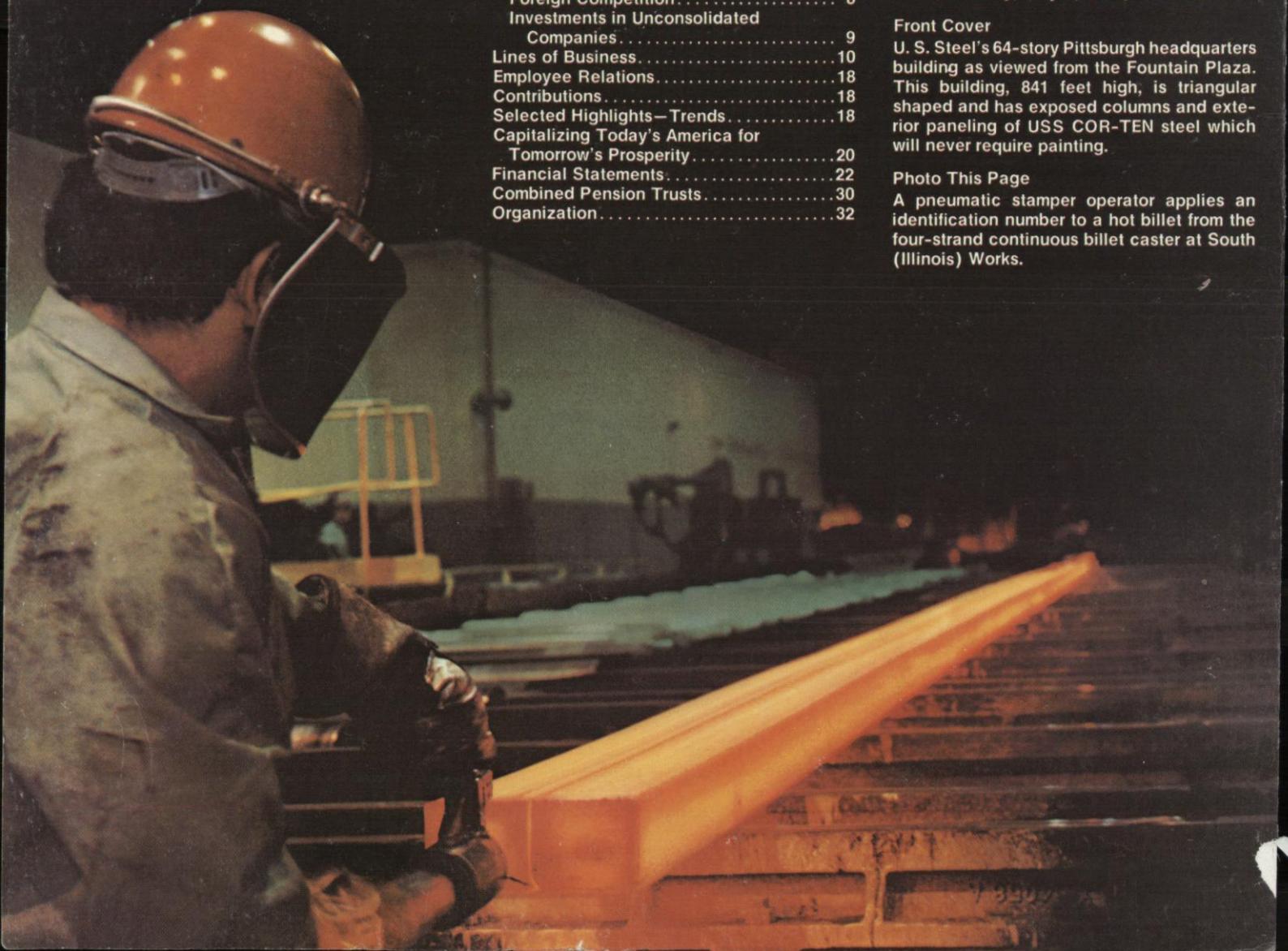
The 1976 Annual Stockholders' Meeting will be held in Atlanta, Ga. at the Atlanta Hilton Hotel, Monday, May 3, 1976, at 10:00 A.M.

Front Cover

U. S. Steel's 64-story Pittsburgh headquarters building as viewed from the Fountain Plaza. This building, 841 feet high, is triangular shaped and has exposed columns and exterior paneling of USS COR-TEN steel which will never require painting.

Photo This Page

A pneumatic stamper operator applies an identification number to a hot billet from the four-strand continuous billet caster at South (Illinois) Works.





The Year 1975 for U.S. Steel—At a Glance

Tons and Dollars in Millions
(except as noted)

		1975	1974*	% Change
Sales and Revenues	For the year	\$ 8,380.3	\$ 9,339.2	—10
Income				
	Paid as dividends	\$ 151.6	\$ 119.2	+27
	Reinvested in the business	408.0	511.1	—20
	Total income	\$ 559.6	\$ 630.3	—11
	Per common share (in dollars)	\$ 10.33	\$ 11.64	—11
	Paid as dividends per common share (in dollars)	\$ 2.80	\$ 2.20	+27
	Return on sales and revenues	6.7%	6.7%	
	Return on ownership—year-end	11.5%	14.2%	
Taxes				
	Provision for taxes on income	\$ 264.0	\$ 403.0	—34
	Social security and other taxes	342.0	337.1	+ 1
	Total taxes	\$ 606.0	\$ 740.1	—18
Steel Production and Shipments				
	Raw steel produced (net tons)	26.4	33.9	—22
	Percent utilization of raw steel production capability	74.1	N.A.	
	Steel products shipped (net tons)	17.5	25.5	—31
Plant and Equipment Expenditures				
	Spent in year	\$ 787.4	\$ 508.3	+55
	Authorized but unexpended at year-end	\$ 1,230.0	\$ 1,455.0	—15
Working Capital	At year-end	\$ 1,202.4	\$ 1,152.4	+ 4
Total Long-Term Debt	At year-end	\$ 1,585.1	\$ 1,389.3	+14
Ownership—Stock and Income Reinvested	At year-end	\$ 4,850.2	\$ 4,436.8	+ 9
Stockholders	Number at year-end	258,419	291,376	—11
Employees and Employment Cost	Average number for year	172,796	187,503	— 8
	Average hourly cost (in dollars)	\$ 10.70	\$ 9.38	+14

N.A.—Not available

*Certain amounts restated—See Note 11 to Financial Statements.

The Form 10-K Annual Report to the Securities and Exchange
Commission will be available in April, and a copy may be obtained
upon written request to the Secretary of the Corporation.

To the Stockholders

U. S. Steel's income for 1975 of \$559.6 million, or \$10.33 per share, was second only to the record level of \$630.3 million, or \$11.64 per share, established in 1974. These earnings for 1975 included \$44.6 million, or \$.82 per share, from the sale of surplus timberland.

The return on stockholders' equity of 11.5% was down from the 14.2% earned in 1974, but was well above that of all other years since 1957. These results were encouraging for a year in which our shipments of steel products were the lowest in 14 years and during a year in which the economy was in a recession, although showing a cessation of decline followed by some signs of recovery by year-end.

U. S. Steel has had as one of its major objectives the establishment of significant nonsteel, but related, lines of business to lessen the cyclical effects of the basic Steel Manufacturing business. The income of the Fabricating and Engineering line of business was up significantly from 1974. While there was some falloff in the income of the Chemical business and of the Transportation Subsidiaries from the records in 1974, the results of both were gratifying. In total, our nonsteel lines of business accounted for 26% of gross sales and revenues and 45% of before-tax income.

Revenues and before-tax income from Steel Manufacturing were down in 1975. The Corporation's steel product shipments dropped to 17.5 million tons, some 31% below the 25.5 million tons shipped in 1974. Earnings from the sale of iron ore were down in 1975 as a result of the nationalization by Venezuela of Orinoco Mining Company assets at the end of 1974. Steel Manufacturing, however, contributed 40% of before-tax income. Earnings benefited from the efficient handling of the rapid downward adjustments in operations. Earnings also benefited from the many technologically advanced facilities installed in recent years and from the improvement of cost-price ratios in 1974.

Shipments by the American steel industry declined from 109.5 million tons of steel mill products in 1974 to 80.0 million tons in 1975. Less than half of the decrease was due to reduced domestic consumption—with the larger part resulting from a shift by customers from inventory building in 1974 to reductions during 1975. With consumption increasing in a recovering economy and as customers bring their inventories more in line with their requirements, steel industry shipments for the year 1976 are expected to reach or exceed 95 million tons.

Over the longer term, the tonnage of steel consumed in this country should increase, on the average, 2½% per year and over 4% worldwide. Markets for many of our other products and services are expected to grow at rates generally greater than the approximate four percent historic rate of growth in real Gross National Product. With our modern complement of facilities, broad raw materials base and talented and experienced people, U. S. Steel is well positioned for a period of continuing progress. Progress is essential for this nation to achieve its goals of more jobs, increasing productivity, growing international competitiveness and greater energy self-sufficiency. Achieving these goals will also aid in fighting inflation, improving living standards and the achievement of other social goals, including environmental improvements.

U. S. Steel, and industry in general, can contribute to the attainment of such goals, if this nation promptly develops and implements solutions to a number of current problems:

- **GROWING GOVERNMENT SPENDING**—The share of Gross National Product represented by government spending has risen from 21% in 1950 to 35% in 1975. The rapidly expanding governmental sector drains funds away from productive investment in tax-generating, job-creating tools of production. Continued ex-

expansion of governmental spending must be balanced with the needs for savings and investment.

● UNREALISTIC ENVIRONMENTAL REQUIREMENTS—Many of the environmental standards and time schedules for accomplishment are unrealistic. Unless these requirements are sensibly modified, construction of new facilities may be virtually brought to a halt. Essential environmental improvements must be accomplished, consistent with other national goals and priorities.

● SHORTAGES OF ENERGY—Our Government has yet to come to grips with the continuing and growing energy shortage. Policies are necessary to encourage investment for development of all the domestic energy resources and thus decrease reliance on foreign sources.

● UNFAIR TRADE PRACTICES—Foreign producers supported by their governments' policies often engage in unfair competition. American industry can compete effectively when trade rules provide fair and equal treatment. U. S. Steel believes that unfair competition can be largely countered or eliminated by enforcement of existing laws and regulations.

● INADEQUATE CAPITAL FORMATION—Tax policies, although improved in recent years, are still biased against capital formation and industrial growth. Industry cannot safely continue to rely so extensively on long-term debt for needed funds. The raising of capital through the sale of new stock issues must be brought back into favor as a natural flow of savings into capital investment. This will occur only when the current and prospective profitability of invested capital is attractive to stock ownership. Tax laws must be changed quickly to encourage savings and investment.



While these current problems appear as economic and social dark clouds, our strong competitive enterprise system, our dedication to hard work and democratic traditions have resolved many difficult problems. The United States and its people have prospered under this system for two hundred years. April, 1976 will mark the completion of the 75th year of U. S. Steel's participation in, and support of, this system. If we, as a nation, continue to strengthen our system of competitive enterprise, we can resolve our current difficulties and we can progress—economically, environmentally and socially.

Edgar B. Speer

Chairman, Board of Directors

February 24, 1976



1975 Highlights/United States Steel Corporation

General

In 1975, U. S. Steel's income was a return of 6.7% on Sales and Revenues of \$8.4 billion, as compared with 6.7% on sales of \$9.3 billion in 1974. Excluding the income from the sale of timberland in 1975, the return on sales was 6.2%. The decline in earnings resulted primarily from the substantial falloff in volumes of most lines of business from the high shipment levels in 1974. These effects were partially offset by the full-year effects of upward price movements during 1974 supported by the strong markets that prevailed following the end of price controls.

The Cost of Products and Services Sold of \$6.2 billion was down 8% from 1974. Although operations were significantly reduced with the lower volumes of business, prices for the goods and services purchased and for the cost of an hour worked, increased 11% and 14%, respectively, from year-end 1974. Many employees were utilized on needed maintenance work and the rebuilding of inventories, mitigating the impact of the decline in business on U. S. Steel's employees.

Although total investment in inventories increased in 1974 and 1975, inventory quantities generally were reduced in 1974 and increased

in 1975. There were reductions in many LIFO pools in both years—a common and frequent occurrence in U. S. Steel. A computation of the effect of LIFO quantity reductions made in conformance with the Internal Revenue Service procedure would indicate that income benefited approximately 6% in both years. This benefit was more than offset by the lag in price increases needed by U. S. Steel to offset continuing cost increases.

The amount of wear and exhaustion of facilities was down \$89 million from 1974, including decreases of \$35 million due to a large group of assets having become fully depreciated during the year and \$23 million due to the nationalization of Orinoco Mining Company assets at the end of 1974. All other changes of \$31 million were due principally to the downward adjustment of depreciation because of lower operations. This is consistent with U. S. Steel's long established practice of relating depreciation to activity within a limited range of operations.

The ratio of debt to total capitalization was 24% at the end of 1975, as compared with 23% at the end of 1974. Long-term debt additions during 1975 were \$274 million, primarily reflect-

This pollution control unit extracts some 100 tons of sulfur each day from coke oven gas and is part of an extensive environmental program at Clairton (Pa.) Works. This is but one of a number of pollution control facilities which became operational throughout U. S. Steel in 1975.

ing borrowing of \$156 million by Quebec Cartier Mining Company (a wholly-owned subsidiary) for the Mt. Wright Project and \$88 million under environmental improvement revenue bonds. Debt retirements during 1975 were \$78 million for a net increase in total long-term debt of \$196 million.

Dividend payments were increased from 60 cents to 70 cents per share of common stock in the first quarter of 1975. Quarterly dividend payments totalled \$2.80 per share in 1975, compared with \$2.20 in 1974.

On February 10, 1976, the Board of Directors of U. S. Steel approved for submission to stockholders at the May 3, 1976 annual meeting the following amendments to the Certificate of Incorporation: split of outstanding common stock on a three for two basis, increase of authorized shares of common stock from 90,000,000 shares to 150,000,000 shares, change of par value of common stock from \$30 to \$1 per share, and elimination of remaining pre-emptive rights of common stockholders to purchase new shares of common stock issued for a cash consideration. The proposed changes are intended to provide flexibility for the Corporation in attracting capital to the benefit of the Corporation's stockholders.

Capital Spending

Capital expenditures in 1975 reached \$787 million, a record high, increasing from the \$508 million spent in 1974. In 1976, expenditures should be at about the 1975 level.

At the end of 1975, authorized projects to be completed will require estimated additional expenditures of \$1.2 billion. Authorizations in 1975 of \$562 million were down from the unusually high \$1.2 billion in 1974. The average level of authorizations for the two years was almost \$900 million per year, more than 2½ times the average annual authorization level of the three years prior to 1974. Engineering estimates by U. S. Steel and others indicate that it

requires as much as three times as many dollars today to replace worn-out facilities as has been allowed as a cost of depreciation.

U. S. Steel's relatively strong earnings and financial position permitted the continuance of all authorized projects. Even the current high level of spending, however, will not provide the additional production capabilities which will be needed to meet the anticipated growth in demand for the products and services of U. S. Steel.

Environmental Control

In 1975, U. S. Steel authorized \$100 million for pollution abatement facilities and spent \$114 million, with \$145 million additional spending required to complete pollution control facilities currently under construction. In addition to the capital spending, each year the out-of-pocket operating cost is equal to at least 12% to 15% of the accumulated capital investment in these facilities.

Substantial environmental improvements

Receipts and Their Disposition in 1975

	Dollars per Employee*	Dollars per Man-Hour*
Receipts from customers—the public	<u>\$49,247</u>	<u>\$27.25</u>
Disposed of as follows:		
Employment costs —U. S. Steel's direct employment	\$19,335	\$10.70
Products and services bought —Provides employment by suppliers and by their suppliers in turn	21,780	12.05
Wear and exhaustion —Provides employment by suppliers of new plants and equipment and by their suppliers in turn	1,746	.97
Taxes —Provides revenue for governments	2,610	1.44
Interest —Compensation for savings loaned	487	.27
Dividends —Compensation for savings invested	892	.49
Income reinvested in business	2,397	1.33
Total	<u>\$49,247</u>	<u>\$27.25</u>

*Excluding employees (1.5 percent of total) the cost of whose work was charged to construction.

These grinding mills, which reduce crushed iron ore to granular size and free the iron particles prior to their separation and concentration, recently started operating at Quebec Cartier Mining Company's Mt. Wright iron ore mine complex in Canada.

have already been accomplished. Further gains can be made, given a realistic approach—coordinated among business, labor, the affected communities and all governmental agencies. Such a coordinated approach must be consistent with the availability of funds, the need for maintaining and adding jobs, the availability and cost of energy and the development of improved, and in some cases new, technology.

In today's climate, some governmental regulations are so restrictive and so costly to apply that it may be impossible to add the needed new capacity and thus provide additional job opportunities. The Clean Air Act of 1970 would effectively prohibit the construction of new production facilities at existing plant locations which would add even minute quantities of contaminants to the air, even though the air discharged is cleaner than required by the standards for those facilities. It is not technologically or economically feasible to operate many facilities for the production of steel, cement, chemicals and other basic products—including many not manufactured by U. S. Steel—with no emissions. Unless this law is changed, there can be little industrial growth in most industrial areas of the United States. The needs of the nation for economic growth can be balanced with the

needs for environmental progress and still remain responsive to the air and water quality requirements of the nation.

Energy

U. S. Steel as a producer, consumer and marketer of energy is vitally concerned about this nation's energy shortage. U. S. Steel's energy conservation programs over the years have resulted in significant savings in usage, and present programs are being reinforced throughout its operations.

Close to 70% of the Corporation's net energy consumption is obtained from coal. Over two-thirds of this coal requirement comes from U. S. Steel's mines. The remaining energy requirements are provided by natural gas, fuel oil and electric power. Natural gas is the nation's most critical source of energy. Many of U. S. Steel's facilities which in the past used natural gas have been equipped to use alternative energy sources.

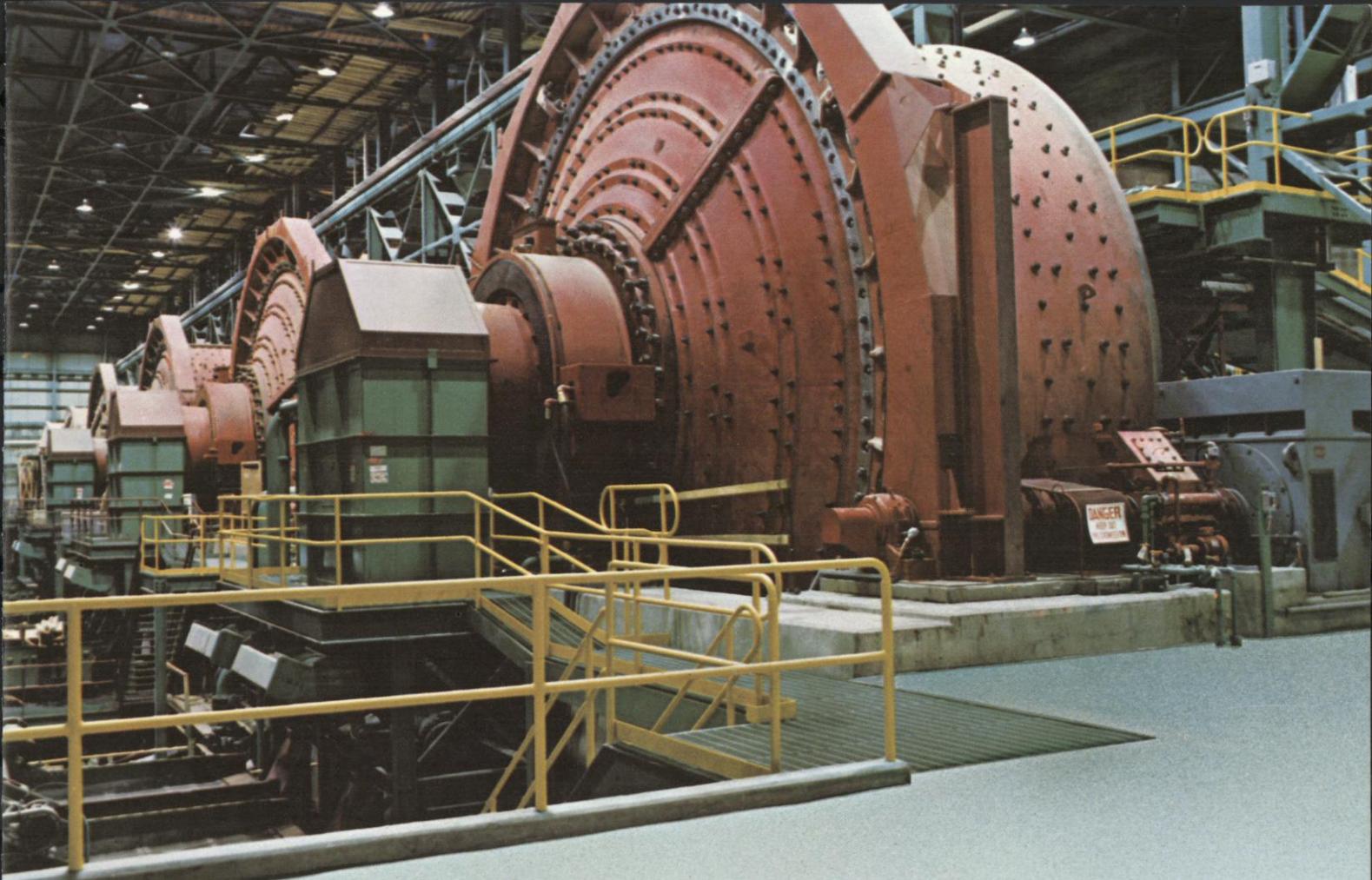
Coal is this nation's most plentiful energy source, and U. S. Steel has substantial reserves. The Corporation's long-range objective is to mine at least as much metallurgical coal as it uses. Facility expansions are under way toward meeting this objective. Some of U. S. Steel's

Quarterly Financial Trends (Unaudited)	1974				1975			
	First	Second	Third	Fourth	First	Second	Third	Fourth
(In millions)								
Products and Services Sold	\$1,925.6	\$2,379.4	\$2,470.7	\$2,410.7	\$2,174.6	\$2,035.3	\$2,018.0	\$1,939.3
Income*	88.3	159.9	213.4	168.7	182.6**	128.6	136.8	111.6
(In dollars)								
Income per Common Share*	\$1.63	\$2.95	\$3.95	\$3.11	\$3.37**	\$2.37	\$2.53	\$2.06
Dividends Paid per Share	.50	.50	.60	.60	.70	.70	.70	.70
Price Range of Common Stock (per share)***	—Low	\$36 1/2-	\$39 1/4-	\$37 3/4-	\$35 5/8-	\$38 1/4-	\$54 5/8-	\$57-
	—High	45 1/8	46 3/4	48 1/2	43	59 1/2	65 5/8	71 3/8
(In millions)								
Steel Products Shipped (N.T.)	6.8	6.8	6.2	5.7	5.1	4.3	4.4	3.7

*Restated to reflect a change in accounting for foreign currency translations adopted in fourth quarter, 1975 (See Note 11 to Financial Statements).

**Includes income from sale of timberland of \$44.6 million (\$.82 per share) after \$19.1 million provision for income tax.

***New York Stock Exchange.



MAJOR PROJECTS STARTED UP IN 1975 AND OTHERS CURRENTLY UNDER CONSTRUCTION

Major Projects Started Up in 1975

STEEL MANUFACTURING

Mt. Wright Iron Ore—20 million tons—Canada
Coke Oven Battery No. 2—0.9 million tons—Gary, Ind.
Rehabilitate Nos. 16-17 Coke Oven Batteries—Clairton, Pa.
100-Ton Electric Furnace—Chicago, Ill.
Billet Conditioning Facilities—Chicago, Ill.
Modernize No. 1 Rod Mill—Cleveland, Ohio
Coke Oven Gas Desulfurization Facilities—Clairton, Pa.
Waste Water Treatment Facilities—Clairton, Pa.
Air Quality Control Facilities—Rail, Slab and Billet Mills—
Gary, Ind.

FABRICATING & ENGINEERING

Ship Section Fabricating Facilities—Orange, Texas
Expansion of Steel Siding Manufacturing Capacity—Akron, Ohio

CHEMICALS

Phthalic Anhydride Expansion—Neville Island, Pa.
Sulfur Dioxide Abatement Facilities—Bartow and
Ft. Meade, Fla.

CEMENT AND OTHERS

Cement Capacity Expansion & Dust Control Facilities—
Buffington, Ind.

Major Projects Under Construction and Expected Year of Start-Up

STEEL MANUFACTURING

1976
Expand Capacity of No. 37 Coal Mine & Corbin Preparation
Plant—1.6 million tons—Lynch, Ky.
Construct New Coal Mine—3 million tons—Cumberland
Reserves, Greene Co., Pa.
Coke Oven Battery No. 3—0.9 million tons—Gary, Ind.
Coke Plant Air Pollution Abatement Facilities—Gary, Ind.
Additional Water Quality Control Facilities—Chicago, Ill.
Increased Billet Capacity—Provo, Utah

1977

Taconite Expansion—6.7 million tons—Minnesota
New Coke Oven Battery—0.9 million tons—Fairfield, Ala.
Rehabilitation of Two Coke Batteries—Clairton, Pa.
Blast Furnace—5,000 tons/day—Fairfield, Ala.
200-Ton Q-BOP Furnace—Fairfield, Ala.
Two Electric Furnaces, Two Slab Casters and Plate Mill
Facilities—Baytown, Texas
Water Quality Control Facilities—Dravosburg, Pa.

1978

Laminar Flow Cooling 84" Hot Strip Mill—Gary, Ind.
Air Quality Control Facilities—Dravosburg, Pa.
1,000-Foot-Long Vessel—Great Lakes Fleet

FABRICATING & ENGINEERING

1976
Oilwell Division Expansion—Garland, Texas and Oil City, Pa.

1977

New Steel Drum Manufacturing Plant—St. Louis, Mo.

CHEMICALS

1976
Maleic Anhydride Expansion—Neville Island, Pa.
Phenol-Acetone Expansion—Haverhill, Ohio

1977

Bisphenol-A Facilities—Haverhill, Ohio
Diammonium Phosphate Facilities—Bartow, Fla.

CEMENT AND OTHERS

1976
Preheater Cement Kiln & Dust Control Facilities—Leeds, Ala.

(All tonnages in net tons per year)



coal reserves, because of technical, economic and environmental restrictions, currently are of limited use. Among the efforts for increasing their utilization is a jointly sponsored project with the Federal Energy Research & Development Administration involving development of a process for the manufacture of organic chemicals, liquid fuels, and metallurgical coke from high-sulfur coal.

Research & Development

U. S. Steel's highly skilled research scientists and engineers are engaged in a broad spectrum of research activities. These include the development of: more efficient means of processing and utilizing raw materials, improved steelmaking processes and new and improved products in steel, chemicals and other product lines. These activities also include a variety of services to customers in the selection and more efficient use of the Corporation's products.

With the shifting economics of energy forms, new approaches that were heretofore uneconomic are now being used. Clean coke oven gas which in the past could not be used at certain hours of the day because of steel mill work schedules is now being utilized. A computer program to reschedule work turns to optimize the utilization of this coke oven gas has already been implemented at over fifty U. S. Steel facilities.

Expenditures for research and development were \$42 million in 1975. Additionally, substantial amounts were spent by the mines, steel mills and U. S. Steel's other operations to bring technologically new facilities and new processes into operation and to improve existing processes as well as to improve product quality.

Dividend Reinvestment Plan

At the first opportunity to do so, in the fourth

quarter of 1975, some \$5.4 million of dividends and additional cash were invested by U. S. Steel shareholders in U. S. Steel stock under the new Dividend Reinvestment Plan. Stockholders of record can automatically reinvest their dividends and can invest additional cash of from \$50 to \$3,000 per quarter. Shares purchased under the Plan are from authorized and unissued common shares and each participant receives a quarterly statement of the status of his account. This Plan, which is administered by U. S. Steel's Stock Transfer Department, provides a convenient, "no-charge" method for investment. A stockholder may sign up for participation in any quarter.

Foreign Competition

In September, U. S. Steel filed countervailing duty complaints with the Treasury Department against the subsidization of steel exports by the governments of seven Common Market nations through the rebate of their value added taxes. U. S. Steel considers the rebates an unfair trade practice and a serious threat to American-made products and to American labor.

In October, the Treasury Department rejected U. S. Steel's petition based on its interpretation of the General Agreement on Tariffs and Trade and the U. S. Countervailing Duty Law. Its decision was that value added taxes are so-called "indirect taxes," and that rebates of such taxes to foreign competitors by their governments do not violate our countervailing duty laws. U. S. Steel's petition argues that, from an economic impact standpoint, there is no distinction between direct and indirect taxes. Bolstered by the precedents of three Supreme Court cases that support U. S. Steel's position, the Treasury's decision has been appealed to the U. S. Customs Court under the rights granted by Congress in the Trade Act of 1974.



Far left: This conveyor system in a 725-foot-long haulage slope brings raw coal from underground to the surface at the new Dilworth Mine in southwestern Pa.

Near left: Dilworth raw coal is loaded into barges for delivery to the Robena preparation plant where ash and sulfur impurities are reduced. The blended and cleaned coal is then shipped by barge to Clairton (Pa.) Works for use in the production of coke and coal chemicals.

Investments in Unconsolidated Companies

U. S. Steel's investments in unconsolidated companies are primarily in companies and ventures involved in minerals exploration and mine development, mining, manufacturing, and realty, leasing and finance operations. (See Notes 3 and 4 to Financial Statements.)

Domestic Investments—RMI Company, a 50% owned partnership, is a titanium metals producer and was again profitable in 1975 as in 1974. This followed several years when results were unsatisfactory due to depressed markets for its products. In addition, its outside debt was reduced in 1975.

Income from the realty, leasing and finance activities of wholly-owned subsidiaries declined in 1975. U. S. Steel Credit Corporation's 1975 income improved over the 1974 level reflecting decreased costs of borrowed funds. Percy Wilson Mortgage and Finance Corporation results declined to an unsatisfactory level

reflecting the effects of depressed real estate markets.

Foreign Investments—During 1975, U. S. Steel acquired a 19% interest in Associated Manganese Mines of South Africa, Ltd. This company, a major manganese ore producer, has high-grade iron ore reserves in the Republic of South Africa and plans a stepped expansion of its iron ore mines. U. S. Steel has contracted to purchase over 3 million net tons of this ore (minimum 63% iron) annually for 15 years beginning in 1978.

Amazonia Mineracao, S.A. continued advance engineering and field work during 1975 toward the development of a mammoth high-grade iron ore deposit in the State of Pará, Brazil. Commitments of U. S. Steel and others to this venture will be further defined during 1976.

U. S. Steel's principal direct and indirect ownership interests in foreign unconsolidated companies are shown below.

Company and Country	% Ownership	Activity
EXPLORATION & DEVELOPMENT		
Amazonia Mineracao, S.A. (Brazil)	49%	Iron Ore
P.T. Pacific Nikkel (Indonesia)	48%	Nickel & Cobalt
MINING		
Compagnie Miniere de l'Ogooue (Gabon)	44%	Manganese Ore
Associated Manganese Mines of South Africa, Ltd.	19%	Manganese & Iron Ores
Prieska Copper Mines (Pty.) (South Africa)	46%	Copper & Zinc Concentrates
Marico Fluorspar (Pty.) Ltd. (South Africa)	100%	Fluorspar (Late 1975 Start-up)
MANUFACTURING		
Acieries de Paris et d'Outreau (France)	27%	Ferromanganese & Steel Castings
Feralloys Ltd. (South Africa)	44%	Ferromanganese & Ferrochrome
Altos Hornos de Vizcaya, S.A. and Altos Hornos del Mediterraneo, S.A. (Spain), each	27%	Integrated Steel Mills
Terninoss Acciai Inossidabili, S.p.A. (Italy)	50%	Stainless Steel Products
Trianglerer Daemmstoffwerk GmbH (West Germany)	75%	Automotive Components
Brazaco-Mapi Industrias Metalurgicas, S.A. (Brazil)	81%	Automotive Components
Zuari Agro Chemicals, Ltd. (India)	36%	Fertilizer

Lines of Business/U. S. Steel

This tension leveling unit to impart superior flatness to cold rolled sheets was recently installed at Fairfield (Ala.) Works. Critical flatness is required for applications such as major appliance exterior panels, metal furniture and electric motor laminations.

The amounts for products and services sold and the income before estimated U. S. and foreign taxes on income for each of U. S. Steel's principal lines of business are included in the accompanying tables.

	Millions of Dollars				
	1975	1974	1973	1972	1971
Sales and Revenues					
Products and Services Sold by Lines of Business					
Steel Manufacturing	\$6,630	\$7,724	\$5,830	\$4,524	\$4,087
Fabricating & Engineering	934	756	668	576	566
Chemicals	656	733	408	320	277
Transportation Subsidiaries	534	638	434	357	357
Cement and Others	244	242	233	175	185
Interest, Dividends & Other Income*	149	153	79	42	38
Net Proceeds from Sale of Timberland	64	—	—	—	—
Gross Sales and Revenues	9,211	10,246	7,652	5,994	5,510
Less Sales Between Lines of Business	831	907	621	551	543
Total Sales and Revenues*	<u>\$8,380</u>	<u>\$9,339</u>	<u>\$7,031</u>	<u>\$5,443</u>	<u>\$4,967</u>
Income					
Income Before Taxes					
Lines of Business					
Steel Manufacturing	\$ 330	\$ 568	\$ 314	\$ 109	\$ 98
Fabricating & Engineering	152	44	38	44	19
Chemicals	125	215	33	(4)	(13)
Transportation Subsidiaries	101	159	93	74	80
Cement and Others	(4)	5	20	14	8
Net Interest & Other Items*	56	42	(15)	(36)	(37)
Income from Sale of Timberland	64	—	—	—	—
Income Before Taxes	824	1,033	483	201	155
Provision for Taxes on Income*	264	403	170	44	—
Income*	<u>\$ 560</u>	<u>\$ 630</u>	<u>\$ 313</u>	<u>\$ 157</u>	<u>\$ 155</u>
Percent Return on Sales*	6.7%	6.7%	4.5%	2.9%	3.1%
Steel Product Shipments					
Total Corporation (Million N.T.)	17.5	25.5	26.1	20.8	19.3

Note: Sales between lines of business are priced at market and the related earnings are included in each line. Intercompany profit eliminations are included in Net Interest & Other Items.

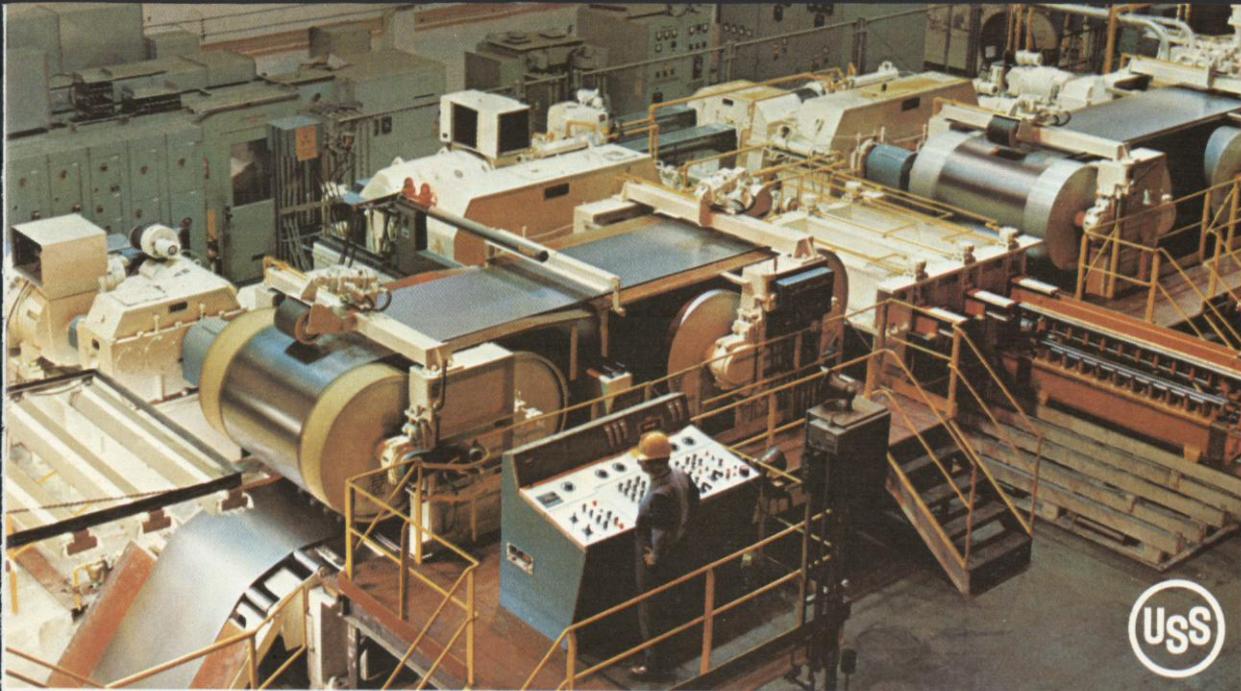
*1973 and 1974 restated to reflect a change in accounting for foreign currency translations (See Note 11 to Financial Statements).

Steel Manufacturing . . . includes iron ore and coal mines, limestone quarries and steel plants which produce and sell a wide range of steel mill products. Some of the output of the mines is sold to the public. Also included are the Great Lakes transportation operations, principally involving the movement of ore and limestone to steel plants; and the sales of steel mill products by a network of steel service centers across the United States and by export distributors. Some of the steel mill products are sold to other lines of business of U. S. Steel for further processing and fabricating into such products as drums, bridges and buildings.

Products and services sold by the Steel Manufacturing line of business of \$6.6 billion represented 72% of the Corporation's revenues. Income before taxes for 1975 was \$330 million, only 40% of the Corporation's income before taxes. Income for 1975 was down substantially from 1974, largely as a result of a rapid decline in steel product sales. However, the income for 1975 was slightly above that for 1973 when steel shipments were 46% higher. Additionally, 1975 results reflect the absence of income available in prior years from the public sales of iron ore by Orinoco Mining Company.

The public shipments of steel mill products declined steadily from 6.8 million tons in the second quarter of 1974 to 4.3 million tons in the second quarter of 1975. Steel shipments during the last two quarters averaged only 4.0 million tons, with some portion of fourth quarter volume advanced into the third quarter as a result of hedge buying in anticipation of October 1, 1975 price increases. However, orders for many steel products showed definite signs of improvement late in 1975.

During 1975, the costs of materials and services purchased for the manufacture of steel, as measured by a comprehensive index com-



Steel Manufacturing

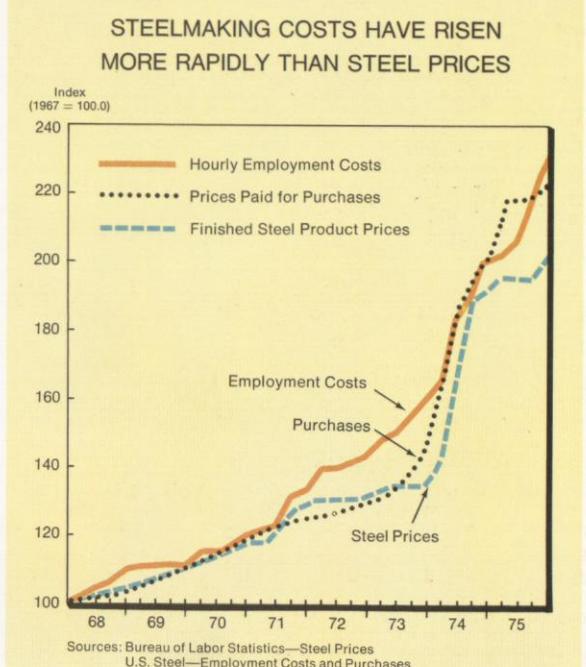
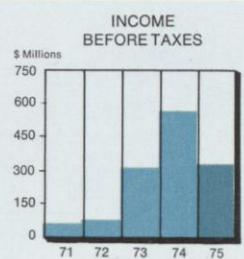
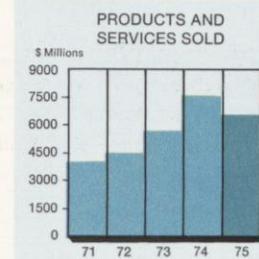
piled by U. S. Steel, increased 10.6% from year-end 1974 to year-end 1975. The principal increases were on iron ore, fuels and power, transportation, ferroalloys and refractories, partially offset by decreases on purchased scrap and coal. Average hourly employment cost for wage earners in steel operations rose from \$9.90 at year-end 1974 to \$11.27 at year-end 1975, a 13.8% increase. Cost-of-living allowances increased \$.39 per hour in 1975.

The overall level of steel prices, as measured by the Bureau of Labor Statistics' index of finished steel prices, increased by only one percent during the first seven months of 1975. In August, U. S. Steel announced a series of price changes with increases on certain products to take effect September 1 and October 1, and decreases on some others to take effect in August. The net effect of these price changes on U. S. Steel represented an overall increase of 3.8% for steel mill products. Given a more normal level of shipments, these increases, together with long-term productivity gains, essentially restored the cost-price relationship that existed in the latter part of 1974. Price changes on tin mill products were announced in November, effective February 1, 1976, more than a year after the prior increases on this product. The tin mill products' increase amounts to less than 1% of U. S. Steel's revenues from the total steel product line. New specifications of tin plate with thinner steel and lighter tin coatings have been developed and were made available as more economical substitutes for a number of applications which now require higher priced specifications.

The year 1975 marked the first year-round operations of U. S. Steel's vessels on the Great Lakes. Starting in 1967, when U. S. Steel's Minntac (Minn.) plant went into full production of non-freezing taconite iron ore pellets, the

operating season on the lakes has been gradually lengthened in co-operation with the U. S. Coast Guard, the Corps of Engineers and others. The result is greater productivity with more effective utilization of the investment in lake vessels and dock handling facilities, a reduction in winter ore inventory requirements at the steel mills and more year-round employment.

The American Iron & Steel Institute commenced reporting early in 1976 the steel industry's rate of utilization of its raw steel production



The fabrication and erection of the steel framework of four 533-feet-high office buildings of the Renaissance Center in Detroit, Michigan, shown here during construction, were recently completed by American Bridge Division.

Steel Manufacturing

SALES BY PRODUCT GROUPING

	1975	1974	1973	1972	1971
	Percent of Total (dollars)				
Sheet, Strip and Tin Mill Products	31%	35%	37%	36%	36%
Plates, Structural and Piling	22	20	19	19	20
Bars and Rods	12	14	15	15	13
Pipe and Tubing	18	14	12	12	12
Other Steel Products	8	9	10	10	10
All Other Products and Services	9	8	7	8	9
Total	100%	100%	100%	100%	100%

SHIPMENTS BY MAJOR MARKETS

Domestic

	Percent of Total (net tons)				
Steel Service Centers	22%	22%	20%	17%	16%
Construction	20	20	19	19	20
Transportation (Incl. Automotive)	22	18	19	18	20
Containers	10	9	9	9	11
Machinery	10	9	9	10	9
All Other.	13	16	18	19	19
Export	3	6	6	8	5
Total	100%	100%	100%	100%	100%

OPERATING STATISTICS

Shipments of Steel Production:

	Millions of Net Tons				
Raw Steel	17.8	25.7	26.0	20.7	19.4
Iron	26.4	33.9	35.0	30.7	27.2
Coal Mined	21.5	26.8	28.1	24.8	22.8
Coke	17.1	16.4	16.3	16.5	16.6
Iron Ore—Natural and Agglomerated	16.0	16.2	16.7	16.2	15.0
Mesabi and Western Ore Operations	22.0	27.8	26.5	21.4	21.0
Orinoco Mining Company*	—	24.4	21.9	17.3	18.5
Quebec Cartier Mining Company	9.1	9.6	10.4	7.0	9.7
Total Iron Ore	31.1	61.8	58.8	45.7	49.2
% Iron Ore Sold to Others	23%	32%	31%	28%	26%

*Under a seven-year agreement, the first year of which was 1975, U. S. Steel agreed to purchase, at commercial prices from a Venezuelan government-owned corporation, a base amount of 12 million net tons of ore per year for the first three years of the agreement with provision for lesser amounts in the following four years. The actual tonnage to be purchased is subject to annual negotiation within a range of plus or minus 10% of the base amount.

capability. Capability is defined as the tonnage of raw steel that can be produced assuming a full order book and recognizing the availability of raw materials, fuels and supplies, and any limitations on production because of the availability of other facilities and current environmental and safety requirements. U. S. Steel's production capability for 1976 is 38 million tons, up almost 7% from the capability for 1975. The average utilization of 1975 raw steel production capability was 74%, ranging from a high of 95% for the first quarter to a low of 60% for the fourth quarter.

At Gary (Ind.) Works, a modern high capacity coke oven battery started up in 1975, and another new battery is scheduled to begin operations in 1976. It was planned to phase in this second new battery with the orderly shutdown of three older batteries. However, the Federal Environmental Protection Agency forced the early shutdown of these older batteries in December, 1975, despite a mutually agreeable program between the state authority and U. S. Steel to operate two batteries through 1976. Negotiations were underway with the state authority relative to the third battery.

Among many steel facilities under construction are two additional electric furnaces, two slab casters and additional plate mill facilities at Texas Works; and a new coke oven battery, a 5,000-ton per day blast furnace and a third 200-ton Q-BOP at Fairfield (Ala.) Works, all scheduled to start-up in 1977.

Quebec Cartier Mining Company (QCM), incorporated in the Province of Quebec, Canada, commenced break-in operations at its Mt. Wright iron ore mine complex in the latter part of 1975. The Mt. Wright facilities, when fully operational by 1977, will have an annual capacity of 20 million net tons of concentrates (66% metallics) for use by U. S. Steel and for sale to



Fabricating & Engineering

others. QCM's presently active ore mine at Lac Jeannine is expected to be depleted by the end of 1976.

Quebec Cartier has agreed to participate in a venture—with Sidbec, a company whose shares are wholly-owned by the Province of Quebec, Canada, and the British Steel Corporation (International) Ltd.—which will purchase from QCM the present Lac Jeannine ore concentrating facilities and QCM's mining rights to the nearby Fire Lake iron ore deposit. QCM will hold an 8.23% interest in the new venture, and will contract to operate the mine and concentrating facilities and provide other services. Transportation and some utility services also will be supplied by other wholly-owned Canadian subsidiaries of U. S. Steel.

U. S. Steel Supply Division, which maintains 28 steel service centers for the sale and distribution of steel mill products throughout the nation, experienced sales and earnings in 1975 that were the second best in its history, although well below the 1974 record. Construction has started on a new steel service center in Cincinnati, Ohio, to replace and expand the existing facility, and on a heavy gauge shearing line in the Chicago steel service center.

While U. S. Steel Supply is primarily a distributor for Corporation-produced steel mill products, the division sells other related product lines, including USS CYCLONE fence, TIGER BRAND wire rope, strapping material and equipment, concrete reinforcing bars, conveyor belts, roof deck and paint. During the year, a new USS CYCLONE colored fence system was introduced which features a more efficient use of steel and combines strength, utility and improved appearance.

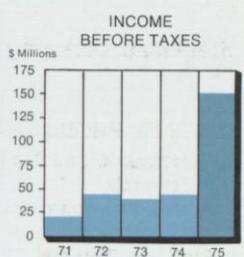
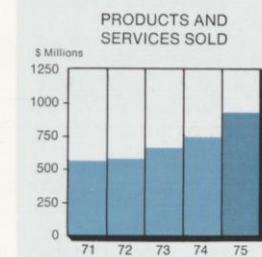
Fabricating & Engineering . . . includes the fabrication and erection of structural steel for

buildings, bridges, storage tanks and other structures and the fabrication of barges, ship sections, transmission towers, large diameter pipe and a variety of standard fabricated steel products; the manufacture and marketing of gas and oil field drilling and pumping equipment, shipping containers and products for residential housing; and technology licensing, engineering services and consulting services.

The activities of this line of business are heavily influenced by the wide cyclical fluctuations in the capital goods industries. The activities of American Bridge Division (ABD) particularly tend to lag on the downturn and on the upturn of the economic cycle. Oilwell Division's activities are expected to become more stable with continuing world requirements for increasing energy development and production.

The earnings of the Fabricating & Engineering line of business increased substantially in 1975. Products and services sold and income before taxes were at record levels for both American Bridge Division and Oilwell Division. This line of business was supported by continuing strong demands for energy related products and projects although construction markets generally were extremely weak.

In 1975, American Bridge fabricated structural steel building modules and 65 pressure vessels for a natural gas compression station being constructed at Prudhoe Bay, Alaska. Nearly three-quarters of an order for 36,000 pipeline support assemblies for the 798-mile trans-Alaska oil pipeline was produced and shipped with the remainder to be shipped in 1976. Other projects completed in 1975 included



The phenol-acetone plant is being expanded at USS Chemicals' operations at Haverhill, Ohio.

subassemblies for ocean tankers, a number of large fuel storage tanks at various locations, several electric power plant structures and electric transmission towers for installation in several states.

ABD is fabricating and erecting the steel for the New River Gorge Bridge at Fayetteville, West Virginia, the longest single arch span bridge in the world. Among other major projects in process are a bridge over the Ohio River at St. Marys, West Virginia, and the fabrication of steel for transmission towers for a 1,700 kilometer electrical power system in the Republic of Zaire (Africa). ABD's recently expanded facility in Texas for the fabrication of sections used in the assembly of large ocean vessels started operation in 1975 and will be completed in 1976.

Oilwell Division maintains field stores and service centers to serve the oil and gas industry needs—ranging from a complete drilling rig to a length of wire cable. It manufactures a wide range of oil field drilling and pumping equipment for use throughout the world and also provides technical services to drilling contractors and oil producers. Oilwell's facilities are being expanded with additional production capability scheduled to come on stream in 1976 at both the Garland (Texas) and Oil City (Pa.) plants. Foundry capacity has been tripled, and air pollution control facilities have been installed at the Oil City plant.

Fabricating & Engineering—Sales by Product Grouping

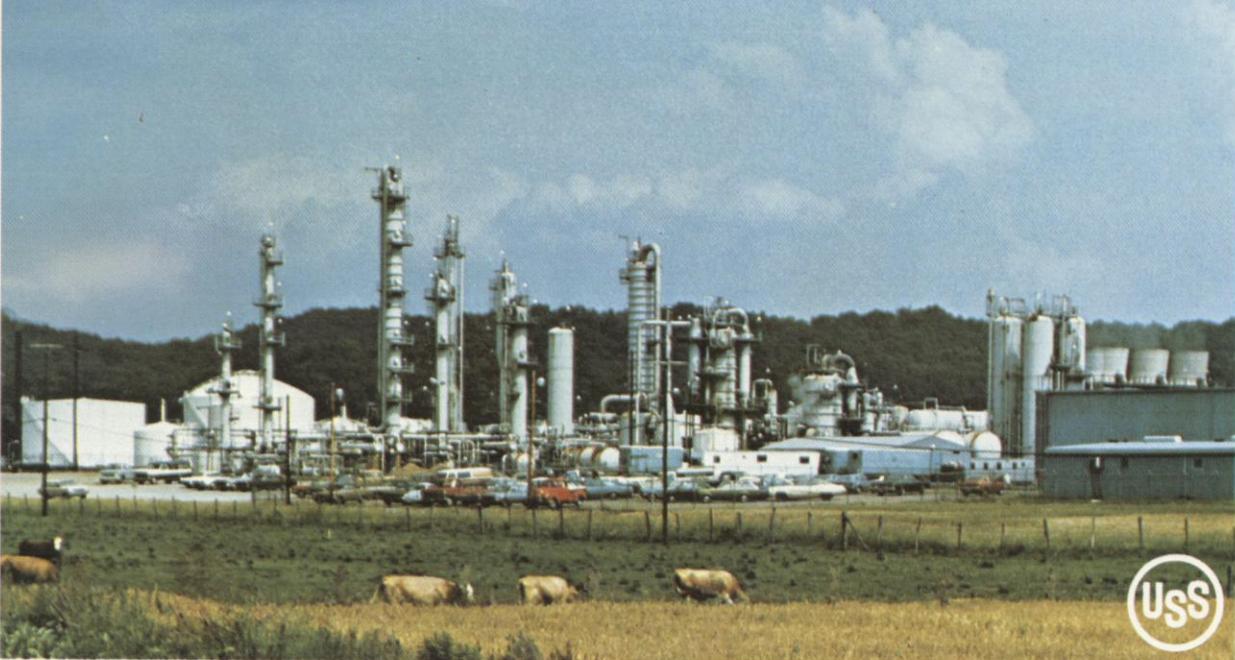
	Percent of Total (dollars)				
	1975	1974	1973	1972	1971
Buildings & Bridges	19%	21%	37%	36%	41%
Manufactured & Fabricated Products	77	75	60	59	56
Technical Assistance & Services	4	4	3	5	3
	100%	100%	100%	100%	100%

U. S. Steel Products Division operates seven plants and produces and markets steel pails and a wide variety of steel drums which are used for transportation and storage of oils, greases, chemicals, paints and many other materials. The St. Louis (Mo.) plant for the production of steel drums is being replaced with a larger plant.

The Products Division's earnings in 1975 were well below the record level experienced in 1974, but were much improved over earlier years. A severe nationwide decline in the container market, which also prevented the recovery of continuing increases in costs, was the major factor in the lower earnings.

USS Engineers and Consultants, Inc. (UEC), a wholly-owned subsidiary, continued to grow, and in its seventh year of activity, earnings were substantially improved from those of 1974. This subsidiary markets professional consulting and engineering services worldwide to mining, iron and steelmaking, chemicals and related industries. It has performed services in more than 40 countries around the world. Among the major contracts awarded to UEC in 1975 were projects to provide engineering services and technical assistance for Q-BOP installations in Italy and Japan, and for a USS-designed twin-strand continuous slab caster in Italy.

Alside, Inc. is a wholly-owned subsidiary primarily engaged in the manufacture and sale of steel and aluminum siding and other exterior building components. While production and shipments were down in 1975 due to continued softness in the home building and home improvement markets, Alside continued its excellent history of profitable operations. Recently expanded and modernized facilities in Akron, Ohio will enable Alside to participate in the expected growth in the use of steel and aluminum siding for new and existing homes.



Chemicals

Chemicals . . . includes the production and marketing of various industrial and coal chemicals, molded plastic products, polystyrene resins and agricultural chemicals.

Earnings in 1975 for this line of business in total, and for both the USS Chemicals and the Agri-Chemicals divisions individually, fell below the records established in 1974. Nevertheless, they remained well above the 1973 levels when modest improvements in sales and earnings followed several years of low demand and depressed prices.

USS Chemicals produces and markets a wide variety of chemical and plastic products. Some, such as creosote, sulfuric acid and molded plastics, are sold as functional products. Most of our chemical production including coal tar pitches, benzene, maleic anhydride, phthalic anhydride, plasticizers, phenol, acetone, alcohols and polystyrene resins are sold to customers who convert them into other products. Chemicals derived from U. S. Steel's coke-making operations are sold, or, supplemented with purchased petrochemicals, they are used as feedstocks in Chemicals division operations.

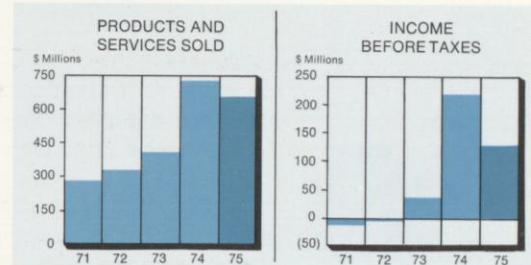
The demand for industrial chemicals fell off sharply beginning in the fourth quarter of 1974, but began a gradual recovery in the second quarter of 1975. Looking to the future, attractive growth is expected in chemicals markets. Late in 1975, facilities went on stream at Neville Island, Pa. to expand production of phthalic anhydride by one-third. The plant continues to be the largest single-train phthalic anhydride plant in the United States. Phthalic anhydride is used to produce plasticizers and is also sold. Plasticizers are then used by others in the production of products such as vinyl floor tile, carpet backing and automotive upholstery.

Other expansion projects under construction include facilities to increase production of

maleic anhydride at the Neville Island plant, and phenol and acetone at Haverhill, Ohio. With this increased output, phenol and acetone will be available to feed a major new facility for the production of Bisphenol-A which is under construction at the Haverhill plant. Bisphenol-A is used by our customers in the production of such products as adhesives, shatterproof windows and plastic pipe.

USS Chemicals' Molded Plastic Products operations added USS POLY-POST, a light-weight, durable, plastic fence post; and USS POLY FLOAT, a unit designed for a wide range of marine dock and float applications, to its broad variety of molded plastic products.

USS Agri-Chemicals' basic manufacturing operations utilize own-produced ammonia, from both natural and coke oven gas, and phosphoric acid. Potash and sulfur are the principal outside purchased raw materials. These basic nutrients are converted at 15 plants located in 9 states into finished fertilizer products including normal and triple super-phosphate, ammonium phosphates, ammonium nitrate, urea and blended liquid and bulk fertilizers. These products along with other farm staples such as crop protection chemicals, liquid animal feed



Chemicals—Sales by Product Grouping

	Percent of Total (dollars)				
	1975	1974	1973	1972	1971
Industrial & Coal Chemicals	42%	41%	34%	33%	31%
Plastics & Resins	8	11	14	11	10
Agricultural	50	48	52	56	59
	100%	100%	100%	100%	100%

Barges loaded with line pipe and other steel products produced at Pittsburgh area steel mills are being moved down river by Ohio Barge Line, Inc.

and seed are merchandised through more than 80 company-owned farm service centers and over five thousand independent dealers serving farm markets. Shipments of fertilizer decreased more rapidly after the seasonal peak in May, 1975 than in 1974. For the year demand was lower, due in part to the liquidation of customer inventories accumulated in 1974 and some decrease in consumption.

The continuing worldwide need for increasing food supplies is expected to support excellent growth in demands for fertilizers and other farm products. A major expansion of USS Agri-Chemicals' Bartow (Fla.) fertilizer operations was initiated during 1975. The additional fertilizer output will be produced using phosphoric acid from a plant that is now under construction. The phosphoric acid plant is 50% owned through a partnership. The Agri-Chemicals' facilities at Cherokee, Alabama, for the production of anhydrous ammonia, are undergoing conversion to permit the use of fuel oil in place of scarce natural gas now being used as fuel for the required heat source of this operation.

USS Agri-Chemicals installed a new facility at Becker, Mississippi, to formulate crop protection chemical sprays. The division's sales of crop protection chemicals, seeds, feeds and other nonfertilizer products, produced by others, reached a new record in 1975.

Transportation Subsidiaries—Sales by Commodity Handled

	Percent of Total (dollars)				
	1975	1974	1973	1972	1971
Iron Ore & Agglomerates	47%	47%	40%	38%	45%
Coal	11	8	8	10	10
Steel & Other Metals	8	9	12	11	9
All Other (including switching and demurrage)	34	36	40	41	36
	100%	100%	100%	100%	100%

Transportation Subsidiaries—Rail and Water

... include domestic common carrier railroads and barge lines and ocean transportation companies which transport materials and products for the general public including U. S. Steel.

In 1975, income before taxes was \$101 million, contributing 12% of U. S. Steel's total before-tax income.

Subsidiary common carrier railroads operate approximately 1,400 miles of main line track and own or lease a total of 456 diesel locomotive units, 33,500 revenue freight cars and 463 units of service equipment. These railroads operate autonomously, serving the general public and charging for their services on the basis of tariff rates approved by the appropriate governmental regulatory agencies. The income of the railroad subsidiaries continued at a good level although down significantly from the unusually high 1974 level, primarily due to the fall-off in steel and other business.

Ohio Barge Line, Inc. and Warrior & Gulf Navigation Company are contract carriers and are regulated by the Interstate Commerce Commission. The Ohio Barge Line serves U. S. Steel and others and operates predominantly on the Monongahela, Ohio and Mississippi rivers. The Warrior & Gulf operates on the Warrior and Tombigbee rivers in Alabama, and on the Gulf Intracoastal Waterway, serving customers, including U. S. Steel, in the Birmingham (Ala.) and Baytown (Texas) areas. At the end of 1975, the barge companies owned 593 barges and 28 towboats.

During 1975, 10.8 million tons of commodities were transported by the barge companies, a decrease of 23% from 1974. Earnings in 1975, however, continued at about the same level as 1974, reflecting productivity gains through improved utilization of vessels, increased sizes of tows and a favorable mix of traffic.



Transportation Subsidiaries

Navigen Company and Navios Corporation, independent subsidiaries, are engaged in the international ocean transportation of bulk commodities. Earnings were down from 1974, reflecting a lower volume of shipments partially offset by reduced vessel charter costs. During 1975, 23.9 million revenue tons were moved, a major portion of which was iron ore products from Venezuela. In conjunction with the implementation of the Venezuelan nationalization law, Navios has entered into an arrangement with a Venezuelan government-owned shipping company to continue on a year-to-year basis to transport a portion of the Venezuelan-produced iron ore products.

Cement & Others . . . includes the quarrying of certain raw materials and the production of cement; real estate operations; gas utility companies; the manufacture of electrical cable; and other miscellaneous operations.

Universal Atlas Cement Division owns and operates eight cement plants in Alabama, Indiana, Kansas, Missouri, New York, Pennsylvania and Texas for the manufacture of over 25 types of cement. In addition, 12 cement distribution stations are located in eastern, southern, central and southwestern United States.

During 1975, Universal Atlas Cement Division and Bahama Cement Company shipped 4.1 million tons of cement, as compared to 5.2 million tons during 1974. Demand declined significantly in the last half of 1974 with a slowdown in construction and remained at extremely low levels in 1975. Sales of cement contributed about 2% of the Corporation's revenues in 1975 and 1974. Unsatisfactory earnings in 1975 resulted from the severely depressed construction markets, increasing labor, fuel, and other costs of production, and from costs associated with the construction and start-up of major

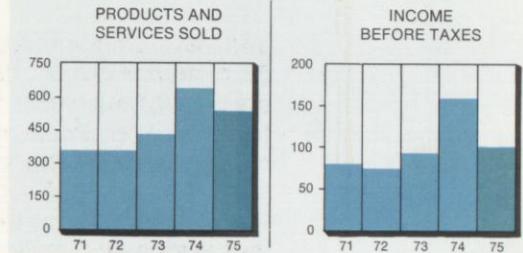
facility expansion and improvement projects at the Buffington (Ind.) and Leeds (Ala.) plants.

During the latter part of 1975, as a result of a continuing review and assessment of markets and operations, cement manufacturing facilities at Duluth, Minnesota, and Fairborn, Ohio, were permanently shut down. Contributing factors to these shutdowns were an unfavorable outlook with respect to rising energy and other production costs, the nonavailability of certain raw materials and natural gas, and increasingly restrictive environmental control regulations. The Duluth facility and most of the attendant acreage will be included in a further development of an adjacent industrial park complex by USS Realty Development Division.

USS Realty Development Division's results, though profitable, were lower than in 1974, as all real estate markets were depressed in 1975. Activities in the development of shopping centers and industrial parks continued with additional long-term lease tenants. Some improvement occurred in condominium sales in Clearwater, Florida.

U. S. Steel's independently operated subsidiary gas companies, the Carnegie Natural Gas Company and Apollo Gas Company, produce and distribute gas to the public, including U. S. Steel's mills in the Pittsburgh area. Both of these regulated companies performed satisfactorily during the year.

The Electrical Cable Division, located at Worcester, Mass., continued to experience good demand from the mining and petroleum industries for its cable and allied products in 1975, with sales and earnings down only slightly from the level of 1974.



Selected Highlights

Employee Relations

There is continuing evidence that unions and management, through conscious efforts, are developing joint recognition of their mutual responsibility for the continued growth and prosperity of the company, and thus the creation and retention of jobs.

One evidence of this understanding is the renewal of the Experimental Negotiating Agreement with the United Steelworkers of America which provides for uninterrupted operations through July, 1980. This will assure an uninterrupted flow of steel products and industrial chemicals to our customers, improve earnings stability for our employees and eliminate a major cause of periodic surges in imported steel into the country.

U. S. Steel believes that a step forward was made during 1975 in improving labor relations in the coal-mining operations. The Bituminous Coal Operators Association, Inc., of which U. S. Steel is a member, and the United Mine Workers of America have agreed on the use of a Chief Umpire to oversee the handling of grievances in the industry. This is the first such arrangement, and prospects for further reduction in wildcat strikes are improved.

U. S. Steel's record of safety performance continues to be noteworthy. The infrequency of serious injury to employees of U. S. Steel continues to be substantially better than both the average for the various industries in which U. S. Steel operates and the average for all manufacturing industries. Efforts continue to further improve this performance.

Contributions

In 1975, U. S. Steel's contributions totalled \$10.5 million, of which \$8 million of cash and \$2 million market value of securities of a publicly-owned company were made to the United States Steel Foundation, Inc. The Foundation is a non-profit corporation founded in 1953, to provide support in a planned and balanced manner for educational, scientific, charitable, civic, cultural and medical-health needs.

SUMMARY OF OPERATIONS

- ✓ Sales and Revenues
- ✓ Cost of Products and Services Sold
- General Adm. and Selling Expenses
- Wear and Exhaustion
- Interest and Other Costs on Debt
- All Other Costs
- Provision for Taxes on Income
- Income
- Per Common Share—Income
- Dividends

TAXES

- Provision for Taxes on Income
- Social Security Taxes
- Property Taxes
- Other State, Local & Misc. Taxes
- Total Taxes

EMPLOYEE MATTERS

- Wages and Salaries
- Employee Benefits
- Average Number of Employees for Year
- Number of Pensioners—Year-End
- Savings Fund Plan:
 - Participating Salaried Employees
 - Amount Saved by Employees
 - % U. S. Steel Common Stock
 - Held in Fund—Year-End

OTHER HIGHLIGHTS

- Working Capital—Year-End
- Plant and Equipment:
 - Authorizations
 - Spent in Year
 - Authorized but Unexpended—Year-End
- Total Assets—Year-End
- Total Long-Term Debt—Year-End
- Stockholders' Ownership—Year-End
- Number of Stockholders—Year-End

Trends

Dollars in Millions (except per share)

1975	1974	1973	1972	1971
\$ 8,380.3	\$ 9,339.2	\$ 7,031.1	\$ 5,443.4	\$ 4,966.7
6,181.2	6,722.1	5,216.6	4,037.7	3,705.6
320.7	300.6	249.7	242.1	232.4
297.2	385.7	358.0	326.6	290.1
82.9	102.9	103.3	81.8	78.4
674.7	794.6	620.5	554.2	505.7
264.0	403.0	170.0	44.0	—
\$ 559.6	\$ 630.3	\$ 313.0	\$ 157.0	\$ 154.5
\$ 10.33	\$ 11.64	\$ 5.78	\$ 2.90	\$ 2.85
\$ 2.80	\$ 2.20	\$ 1.60	\$ 1.60	\$ 2.00
\$ 264.0	\$ 403.0	\$ 170.0	\$ 44.0	\$ —
161.9	168.9	145.8	100.3	88.2
100.0	106.8	104.6	113.1	107.5
80.1	61.4	48.0	40.4	42.0
\$ 606.0	\$ 740.1	\$ 468.4	\$ 297.8	\$ 237.7
\$ 2,582.3	\$ 2,675.5	\$ 2,301.9	\$ 1,996.6	\$ 1,835.1
\$ 708.0	\$ 626.4	\$ 467.9	\$ 400.7	\$ 356.2
172,796	187,503	184,794	176,486	183,940
77,707	72,351	70,333	68,018	62,322
32,254	31,344	30,740	31,625	34,193
\$ 32.1	\$ 32.0	\$ 28.7	\$ 28.8	\$ 28.2
12.8%	12.9%	12.1%	11.0%	10.5%
\$ 1,202.4	\$ 1,152.4	\$ 795.2	\$ 793.8	\$ 824.3
\$ 562.4	\$ 1,203.3	\$ 485.5	\$ 272.8	\$ 252.0
\$ 787.4	\$ 508.3	\$ 435.5	\$ 412.8	\$ 452.0
\$ 1,230.0	\$ 1,455.0	\$ 760.0	\$ 710.0	\$ 850.0
\$ 8,148.2	\$ 7,716.2	\$ 6,908.8	\$ 6,570.0	\$ 6,382.8
\$ 1,585.1	\$ 1,389.3	\$ 1,464.1	\$ 1,552.5	\$ 1,497.9
\$ 4,850.2	\$ 4,436.8	\$ 3,925.7	\$ 3,699.4	\$ 3,629.1
258,419	291,376	311,088	325,470	343,850

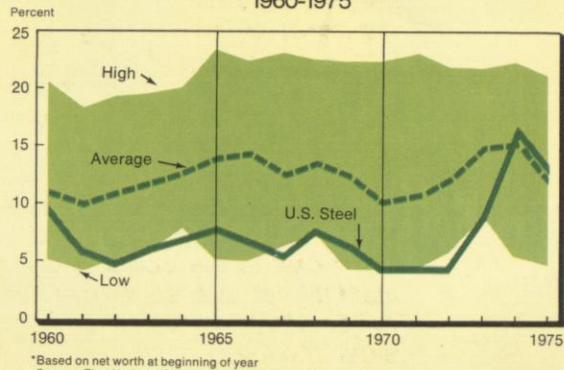
Certain amounts for 1974 & 1973 have been restated as explained in Note 11 to Financial Statements.

Stockholders and Shares—
Common Stock December 31, 1975

Registered in name of:	Holders	Shares
Individuals—Women	101,026	10,057,885
—Men	67,692	7,832,313
—Joint Accounts	64,267	5,665,483
Total Individuals	232,985	23,555,681
Nominees, Brokers & Others	25,434	30,701,500
Total	258,419	54,257,181

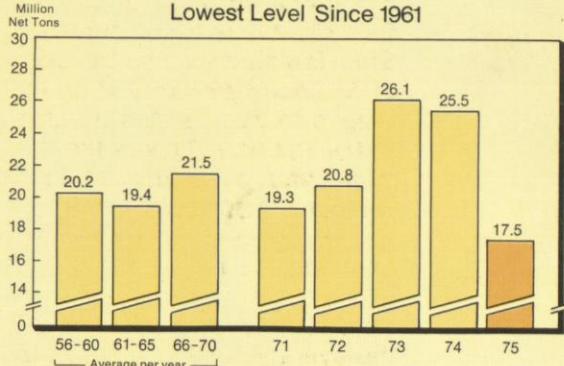
No individual held of record as much as two-tenths of one percent of the common stock. Stock registered in the name of nominees, brokers and others is owned by insurance companies; charitable, religious and educational organizations of many types; pension funds; investment companies; trustees, custodians and estates; and others, including many individuals.

Profit as Percent of Net Worth
Principal Manufacturing Industries vs. U. S. Steel
1960-1975

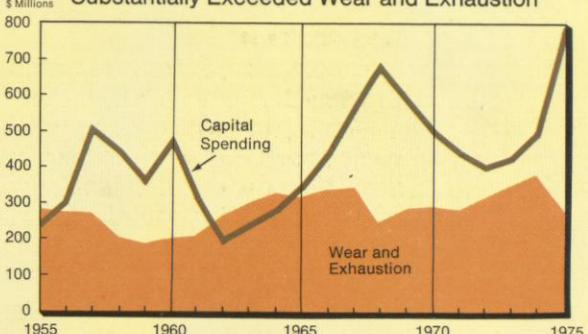


*Based on net worth at beginning of year
Source: First National City Bank (New York) and U. S. Steel
1975 data estimated by U. S. Steel

1975 Steel Product Shipments at
Lowest Level Since 1961



Since 1955, U. S. Steel's Capital Spending has
Substantially Exceeded Wear and Exhaustion



Capitalizing Today's America for Tomorrow's Prosperity

As our nation approaches its 200th birthday, all Americans can be justifiably proud of its economic heritage, accomplishments and opportunities. Despite this record, however, formidable economic challenges continue to face our nation. Many of these challenges are related to savings and investment in our free market economy.

Savings and investment are essential

As pointed out in U. S. Steel's 1974 Annual Report, plant and equipment investment since 1960 has been relatively smaller in the U. S. than abroad. Not surprisingly, during recent years the U. S. has also experienced a slower rate of economic growth, smaller improvements in output per man-hour, older tools of production, unacceptable levels of unemployment and periodic shortages.

While few, if any, national problems are ever totally and permanently solved, greater savings can contribute materially to the solution of many contemporary problems. Such savings will make possible greater investment in new, efficient tools of production. And, there is a close relationship between plant and equipment investment and jobs. (Chart 1) Rising investment means that jobs are created immediately to produce the plant and equipment, and then to operate it, to maintain it, and to supply it with necessary materials and services. Declining investment means fewer new jobs and also fewer existing jobs as facilities become worn out or obsolete and are not replaced.

Additional savings and investment are imperative now—both to make up for inadequate savings and investment in the past and to meet the nation's future needs for new and better tools of production to provide increased job opportunities.

Steel's capital requirements are substantial

Steel consumption in the U. S. is projected to grow at an average annual rate of about 2½% over the next decade, and many existing facilities will need to be replaced as they wear out or become obsolete. While some of the needed capacity can be built around existing facilities, much of it will involve constructing entirely new and very costly facilities.

In addition, sizable outlays will be necessary for pollution abatement equipment and for non-steel lines of business. The total capital expenditure requirements of American steel com-

panies are estimated to be about \$5 billion per year at today's prices—over 2½ times the average annual amount during the past ten years. This is far more capital than steel companies are able to generate internally or to raise externally under existing conditions.

If steel companies cannot obtain sufficient capital, the nation will have to get along with less economic growth, or steel imports will have to increase substantially, or less satisfactory substitute materials will have to be used in place of steel—all costly and undesirable alternatives.

Where does additional capital come from?

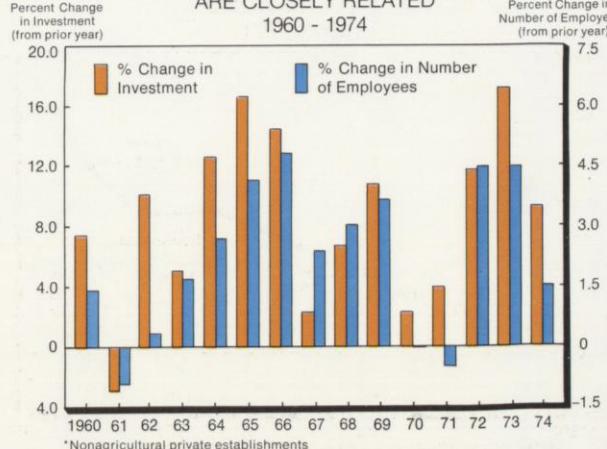
Corporations have only three possible sources of additional capital: reinvested earnings, sales of new stock and borrowing. (Depreciation is not a source of additional capital but simply the recovery of capital expenditures previously made.)

During recent years, corporate earnings have been overstated as a result of charging as expense only the historical cost of physical asset consumption (fixed assets and inventory). In periods of rising prices, depreciation of real assets based only on historical costs is insufficient for the restoration, at current prices, of those assets used up in production. As a result of this accounting treatment, reported profits in recent years have substantially exceeded "real" profits (that is, adjusted for current-dollar capital consumption allowances and to reflect current values of inventories consumed).

Chart 2 (green lines) shows that the difference between reinvested earnings reported and as adjusted has become enormous in recent years; hence, "real" reinvested earnings have recently provided very little additional capital.

Capital stock also has provided relatively little additional capital (yellow line) since the

CHART 1
CHANGE IN PLANT AND EQUIPMENT
INVESTMENT AND EMPLOYMENT
ARE CLOSELY RELATED
1960 - 1974



*Nonagricultural private establishments

Sources: U.S. Department of Commerce, U.S. Department of Labor

generally low profitability of U. S. industry has reduced the attractiveness of stock ownership. Thus, to finance their capital requirements, American corporations have borrowed enormous sums in recent years (blue line). Many companies today have borrowed about as much as is prudent—yet they still need more money to replace and expand facilities.

Substantial inflation in plant and equipment costs and the limitation of depreciation expense to historical cost have materially aggravated this problem of raising capital.

How will corporations raise sufficient capital in the future? Under present conditions, some users of capital will be left out; others will be left short.

Needed: Climate for saving and investment

Sufficient capital will be generated only if government earnestly fosters an improved climate for saving and investment:

- **Reduce government spending at all levels.** Government spending per capita since 1929 has risen three times as fast as personal consumption expenditures and more than three times faster than plant and equipment spending. (Chart 3) High levels of spending divert sizable funds otherwise available for saving and investment.

- **Permit competitive enterprise to operate more freely.** Investments in plant and equipment are made only if prospective profitability is sufficiently high to compensate suppliers of capital for the use and risk of their funds. Additional governmental controls, regulations and related costs dampen prospective profitability and thus investment.

- **Revise the tax laws to make stock ownership more attractive.** American corporations, including U. S. Steel, should obtain more capital from

new stock issues. At present, however, dividends are taxed twice—once when income is earned by a corporation and once when received by a stockholder. Eliminating the inequity of double taxation would make stock ownership more attractive, in turn expanding corporate borrowing power. Deferral of income taxes on dividends reinvested would also be desirable, as would deferral of taxes on capital gains reinvested.

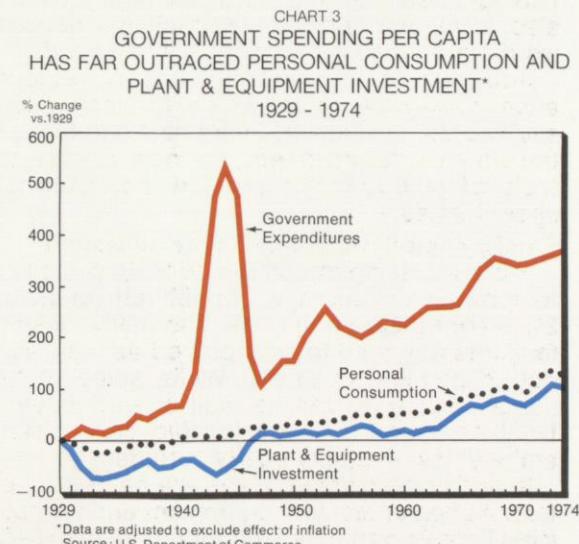
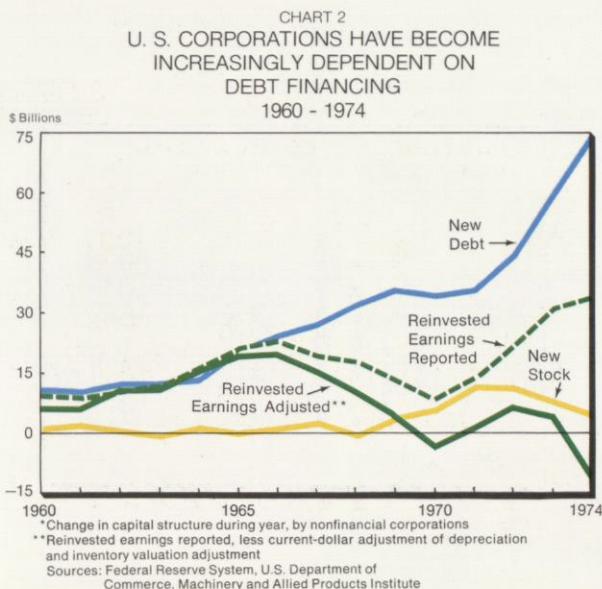
- **Permit faster depreciation of productive facilities.** A write-off period of five years would substantially improve investment incentive and ability. Recovery of capital investments should begin when funds are expended rather than when facilities are completed, which frequently is several years after construction was initiated. These tax law improvements would help create more jobs and more goods and services, alleviate shortage-induced inflation, and make American industry more competitive internationally.

- **Permit first-year write-off of pollution abatement equipment.** Businesses should be permitted for tax purposes to reflect pollution abatement expenditures as a current expense rather than having to wait many years to recover their original outlays.

- **Increase and permanently extend the investment tax credit.** The investment tax credit also improves both the incentive and the ability to invest in new plant and equipment. It should be increased to at least 12% and made a permanent part of the tax law not subject to unpredictable and frequent revisions.

* * *

All of these actions are urgently needed to solve the problems of Capitalizing Today's America for Tomorrow's Prosperity.



Summary of Principal Accounting Policies

Principles applied in consolidation—Majority owned subsidiaries are consolidated, except for realty companies and leasing and finance operations and those which are not considered to be material.

Investments—Investments in realty, leasing and finance operations are carried at U. S. Steel's equity in the net assets and advances to such operations. Investments in other companies, where U. S. Steel has significant influence in the management and control of such companies, are also carried on the equity basis. Marketable equity securities are carried at the lower of cost or market and other investments are carried at cost.

Inventories—Inventories are valued at the lower of cost or market. Since 1941, the cost of most inventories has been determined under the last-in, first-out (LIFO) method.

Foreign currency translation—Inventories and plant and equipment are translated at historic rates of exchange. All other accounts are translated at appropriate current rates and the related adjustments are included in income.

In 1974 and prior years, gains and losses on translating long-term receivables and payables were deferred and amortized over the life of the related item. The new policy has been adopted retroactively by restatement of prior years (see note 11).

Income recognition—Revenues from products and services and related costs are included in income when goods are shipped or services are rendered to the customer, except those related to construction projects which are accounted for on the completed contract method.

Wear and exhaustion of facilities—For the most part, depreciation is computed on the straight-line method applied to the cost of assets classified in accordance with guideline procedures established by the Internal Revenue Service in 1962 and based on estimated useful lives established therein and is related to U. S. Steel's rate of operations. Proceeds from sales of facilities covered by guideline procedures are credited to income and the cost of the assets is charged to the reserve for depreciation. Profit or loss on sales of land and depreciable facilities not covered by guidelines is included in income. Assets retired are charged to the reserve for depreciation.

Depletion of the cost of mineral properties is computed on the unit of production method based on estimated mineral reserves of the particular property.

Facility improvements and maintenance—Expenditures for renewals and betterments are charged to plant and equipment. Costs of repairs and maintenance are charged to operations when and as incurred.

Mineral exploration—Exploration costs of U. S. Steel are expensed currently. When a potential mineral property has been determined to be a commercially feasible project, most expenditures to develop it are capitalized as part of the cost of the property.

Research and development and start-up of facilities—Research and development and facility start-up costs are expensed when incurred.

Pensions—Non-contributory pension provisions cover substantially all the employees and in addition participating salaried employees are also covered by the contributory pension provisions.

Pension costs are determined by an independent actuary based upon an acceptable actuarial method and various actuarial factors which, from time to time, are adjusted in light of actual experience. Effective July 1, 1975, the accrued benefit cost method (unit credit) was adopted under which pension costs reflect current service and a 25 year amortization of unfunded past service. Concurrently, a funding policy was adopted which provides that payments to the pension trusts shall be equal to the minimum funding requirements of ERISA plus additional amounts that may be approved from time to time.

Prior to July 1975, pension costs were determined by an actuarial method under which current and past service costs were combined and funded over the remaining service of employees—on the average less than 15 years.

Timing differences related to income taxes—Certain items of income and expense are recognized in different years for income tax and for financial accounting purposes. These timing differences result in the provision for taxes on income for financial reporting being more than or less than the taxes currently payable.

Investment credit—For 1968 and thereafter investment tax credits have been recognized in income in the year earned. Deferred investment credits for 1967 and prior years are being amortized.

Consolidated Statements of Income and Income Reinvested in Business



(In millions)

1975	1974 (Restated —Note 11)
------	--------------------------------

SALES AND REVENUES

Products and services sold.....	\$8,167.2	\$9,186.4
Interest, dividends and other income.....	149.4	152.8
Gain from sale of timberland.....	63.7	—
	<u>8,380.3</u>	<u>9,339.2</u>

COSTS

Cost of products and services sold (Note 15).....	6,181.2	6,722.1
General administrative and selling expenses (Note 15).....	320.7	300.6
Pensions, insurance and other employee benefits (Note 15).....	494.6	626.4
Wear and exhaustion of facilities.....	297.2	385.7
Interest and other costs on debt.....	82.9	102.9
State, local and miscellaneous taxes.....	180.1	168.2
	<u>7,556.7</u>	<u>8,305.9</u>

INCOME BEFORE TAXES ON INCOME.....

823.6 1,033.3

Provision for estimated United States and foreign taxes on income (Note 10)		
Currently payable.....	168.9	351.1
Timing differences.....	95.1	51.9
	<u>264.0</u>	<u>403.0</u>

INCOME.....

\$ 559.6 \$ 630.3

Income Per Common Share (Note 8).....

\$ 10.33 \$ 11.64

INCOME REINVESTED IN BUSINESS

Balance at beginning of year.....	\$2,811.7	\$2,300.6
Income.....	559.6	630.3
	<u>3,371.3</u>	<u>2,930.9</u>

Dividends on common stock \$2.80 and \$2.20 per share.....	151.6	119.2
Balance at end of year.....	<u>\$3,219.7</u>	<u>\$2,811.7</u>

Consolidated Balance Sheet

	(In millions)	
	December 31	1974
	1975	(Restated —Note 11)
ASSETS		
Current Assets:		
Cash (Note 1).....	\$ 230.6	\$ 298.4
Marketable securities, at cost (approximates market).....	450.7	871.8
Receivables, less allowance for doubtful accounts of \$9.4 and \$8.0.....	807.3	1,023.9
Inventories (Note 2).....	1,160.0	695.1
<i>Total Current Assets</i>	<u>2,648.6</u>	<u>2,889.2</u>
Investments in realty, leasing and finance operations (Note 3).....	80.1	73.3
Long-term receivables and other investments, less estimated losses of \$11.4 and \$18.3 (Note 4).....	537.0	414.5
Plant and equipment, less depreciation (Note 5).....	4,622.2	4,168.0
Operating parts and supplies.....	90.7	65.2
Costs applicable to future periods.....	169.6	106.0
<i>Total Assets</i>	<u>\$8,148.2</u>	<u>\$7,716.2</u>
LIABILITIES		
Current Liabilities:		
Notes and accounts payable.....	\$ 636.0	\$ 741.9
Payroll and benefits payable.....	433.7	446.6
Accrued taxes (includes social security taxes) (Note 10).....	346.3	520.7
Long-term debt due within one year (Note 13).....	30.2	27.6
<i>Total Current Liabilities</i>	<u>1,446.2</u>	<u>1,736.8</u>
Long-term debt, less unamortized discount (Note 13).....	1,536.4	1,341.2
Deferred taxes on income (Note 10).....	288.4	191.0
Deferred credits.....	27.0	10.4
<i>Total Liabilities</i>	<u>3,298.0</u>	<u>3,279.4</u>
OWNERSHIP EVIDENCED BY		
Common stock (authorized 90,000,000 shares; outstanding 54,257,181 shares December 31, 1975 and 54,169,462 shares December 31, 1974)		
Par value \$30 per share (Note 8).....	1,627.7	1,625.1
Capital in excess of par (Note 8).....	2.8	—
Income reinvested in business.....	3,219.7	2,811.7
<i>Total Ownership</i>	<u>4,850.2</u>	<u>4,436.8</u>
<i>Total Liabilities and Ownership</i>	<u>\$8,148.2</u>	<u>\$7,716.2</u>

Statement of Changes in Financial Position



(In millions)

	1975	1974 (Restated —Note 11)
ADDITIONS TO WORKING CAPITAL		
Income.....	\$ 559.6	\$ 630.3
Add—Wear and exhaustion of facilities.....	297.2	385.7
Deferred taxes on income.....	97.4	16.4
<i>Funds from operations</i>	<u>954.2</u>	<u>1,032.4</u>
Proceeds from sale of common stock under Dividend Reinvestment Plan..	5.4	—
Proceeds from sales and salvage of plant and equipment.....	11.1	145.9
Increases in long-term debt due after one year.....	271.0	11.8
Miscellaneous additions.....	16.0	18.0
<i>Total additions</i>	<u>1,257.7</u>	<u>1,208.1</u>
DEDUCTIONS FROM WORKING CAPITAL		
Expenditure for plant and equipment.....	787.4	508.3
Increases in investments and long-term receivables.....	129.3	97.6
Dividends on common stock.....	151.6	119.2
Decreases in long-term debt due after one year.....	75.8	98.1
Increases in costs applicable to future periods.....	63.6	27.7
<i>Total deductions</i>	<u>1,207.7</u>	<u>850.9</u>
INCREASE IN WORKING CAPITAL	<u><u>\$ 50.0</u></u>	<u><u>\$ 357.2</u></u>
ANALYSIS OF INCREASE (DECREASE) IN WORKING CAPITAL		
WORKING CAPITAL AT BEGINNING OF YEAR	<u><u>\$ 1,152.4</u></u>	<u><u>\$ 795.2</u></u>
Cash and marketable securities.....	(488.9)	422.4
Receivables, less doubtful accounts.....	(216.6)	228.5
Inventories.....	464.9	66.0
Notes and accounts payable.....	105.9	(168.9)
Payroll and benefits payable.....	12.9	3.0
Other payables.....	<u>171.8</u>	<u>(193.8)</u>
INCREASE IN WORKING CAPITAL	<u><u>50.0</u></u>	<u><u>357.2</u></u>
WORKING CAPITAL AT END OF YEAR	<u><u>\$ 1,202.4</u></u>	<u><u>\$ 1,152.4</u></u>

Notes to Financial Statements

1. CASH—Included in cash are interest-bearing, short-term time deposits of \$147.5 million and \$192.4 million at December 31, 1975 and December 31, 1974, respectively.

2. INVENTORIES—A summary of inventories follows:

	(In millions)		
	December 31	1975	1974
Raw materials	\$ 436.4	\$154.9	
Semi-finished products	317.2	230.5	
Finished products	202.2	161.4	
Supplies and sundry items	172.8	101.2	
Contracts in progress	259.0	174.4	
Less invoices rendered	<u>(227.6)</u>	<u>(127.3)</u>	
	<u>\$1,160.0</u>	<u>\$695.1</u>	

Under the LIFO method, current acquisition costs are estimated to exceed the inventory value at December 31, 1975 as shown above by approximately \$1,400 million.

In 1975, in accordance with Internal Revenue Service regulations, certain employee benefits were included as a part of inventory costs. The effect of this change for 1975 was to increase income \$4.9 million.

3. REALTY, LEASING AND FINANCE OPERATIONS—Investments in realty, leasing and finance companies are carried in the consolidated statements at U. S. Steel's equity in the net assets and advances to such operations and are summarized as follows:

	(In millions)		
	December 31	1975	1974
Realty, leasing & finance companies			
Cash, receivables and inventory	\$299.3	\$318.6	
Plant and equipment, less depreciation	7.9	8.0	
Investments and other assets	15.7	13.0	
Total assets	<u>322.9</u>	<u>339.6</u>	
Less liabilities			
Commercial paper and other current payables	248.0	268.3	
Debt due after one year	25.2	25.8	
Total equity	<u>\$ 49.7</u>	<u>\$ 45.5</u>	

A summary income statement of realty, leasing and finance companies follows:

	(In millions)	
	1975	1974
Sales and revenues	\$39.6	\$55.8
Cost of sales & operating expenses	20.8	26.1
Interest expense	19.3	28.3
Taxes on income	(.6)	(.2)
Income	<u>\$ 39.5</u>	<u>\$ 54.2</u>
	<u>\$.1</u>	<u>\$ 1.6</u>

Other realty investments by U. S. Steel amounted to \$30.4 million and \$27.8 million at December 31, 1975 and December 31, 1974, respectively. Guarantees by U. S. Steel of the liabilities of realty, leasing and finance companies were \$165.2 million at December 31, 1975 and \$168.0 million at December 31, 1974.

4. OTHER EQUITY INVESTMENTS—Included in long-term receivables and other investments are \$227.1 million at December 31, 1975 and \$212.8 million at December 31, 1974 of investments carried on the equity basis. Equity earnings from these investments in 1975 and 1974 amounted to \$20.2 million and \$22.6 million, respectively, and dividends received amounted to \$5.9 million in 1975 and \$6.4 million in 1974.

Also included in long-term receivables and other investments are marketable equity securities totalling \$30.0 million at December 31, 1975 with a current market value of \$43.0 million.

Guarantees of liabilities related to other companies, most of which are carried on an equity basis, were \$27.3 million at December 31, 1975 and \$26.0 million at December 31, 1974.

5. PLANT AND EQUIPMENT—A summary of plant and equipment follows:

	(In millions)		
	December 31	1975	1974
Facilities (at cost)			
Land	\$ 248.2	\$ 246.7	
Buildings	1,176.5	1,029.5	
Machinery & equipment	9,594.9	9,105.9	
Total	<u>11,019.6</u>	<u>10,382.1</u>	
Less depreciation & depletion			
Buildings	598.7	581.5	
Machinery & equipment	5,798.7	5,632.6	
Total	<u>6,397.4</u>	<u>6,214.1</u>	
Net	<u>\$ 4,622.2</u>	<u>\$ 4,168.0</u>	

Depreciable lives are approximately: buildings 40 years, machinery and equipment—primary metals 18 years, mining 10 years and chemicals 11 years.

6. INSURANCE—It is U. S. Steel's practice to carry casualty insurance only in exceptional cases and costs resulting from uninsured fire, windstorm, marine and other unanticipated losses have historically been charged to income.

7. PREFERRED STOCK—U. S. Steel is authorized to issue 20,000,000 shares of preferred stock, without par value. At December 31, 1975, none of this stock had been issued.



8. COMMON STOCK—As explained on page 8, U. S. Steel introduced a stockholder Dividend Reinvestment Plan effective during the fourth quarter of 1975 and 87,719 shares were issued at market. Proceeds in excess of par value amounted to \$2.8 million.

Income per share is calculated based on the weighted average number of shares outstanding. The weighted average number of shares outstanding was 54,174,509 at December 31, 1975 and 54,169,462 at December 31, 1974.

On February 10, 1976, the Board of Directors approved for submission to stockholders at the May 3, 1976 annual meeting the following amendments to the Certificate of Incorporation: split of outstanding common stock on a three for two basis, increase of authorized shares of common stock from 90,000,000 shares to 150,000,000 shares, change of par value of common stock from \$30 to \$1 per share, and elimination of remaining preemptive rights of common stockholders. The effects of these proposed amendments are not reflected in the financial statements.

9. PENSION COSTS—Pension costs for U. S. Steel were \$215.8 million in 1975 and \$169.9 million in 1974. The increase in costs resulted principally from the full year effect of a substantial increase in non-contributory pension benefits and revisions to actuarial factors initially recognized beginning August 1, 1974, partially offset by the effect of lower payrolls and the adoption, effective July 1, 1975, of a new actuarial method to develop pension costs.

The adoption of the accrued benefit cost method (unit credit) and the amortization of unfunded past service liability over 25 years results in U. S. Steel's pension costs being on a more comparable basis with other industrial companies and facilitates compliance with funding and reporting requirements of ERISA. Also, effective July 1, 1975, pension trust assets are valued for actuarial purposes on a 5-year moving average of quarterly market values for quoted securities and at cost or less for other assets. The adoption of these changes reduced pension costs in 1975 by about \$19 million.

The quarterly market values in the most recent 5-year period ranged from a high of \$4.0 billion to a low of \$2.5 billion. The average value for the 5-year period ended December 31, 1975 was about \$3.7 billion.

The actuarially computed value of vested benefits at December 31, 1975 exceeded the

average value of trust assets by approximately \$300 million. The unfunded accrued liability (past service) was approximately \$1.2 billion at December 31, 1975.

10. TAXES—The provision for estimated United States and foreign taxes on income is as follows:

	(In millions)	
	1975	1974 (Restated —Note 11)
Income taxes currently payable		
United States	\$153.9	\$271.3
Foreign	15.0	79.8
Total	<u>168.9</u>	<u>351.1</u>
Timing differences		
Current —United States	(2.3)	35.5
Non-current—United States	87.8	12.0
Non-current—Foreign	9.6	4.4
Total	<u>95.1</u>	<u>51.9</u>
Provision for estimated taxes on income	<u>\$264.0</u>	<u>\$403.0</u>

In 1975 and 1974 amounts taken for tax purposes were greater than amounts provided for financial accounting purposes. The deferred tax provision increased (decreased) due to timing differences as follows:

	(In millions)	
	1975	1974 (Restated —Note 11)
Depreciation	\$ 92.6	\$ 16.8
Pension costs	—	37.7
Other items	2.5	(2.6)
Total timing differences	<u>\$ 95.1</u>	<u>\$ 51.9</u>

The provisions for estimated taxes on income for 1975 and 1974, respectively, were 32.1% and 39.0% of income before taxes. The primary reasons for the difference between these rates and the basic Federal income tax rate of 48% are as follows:

	Percent of income before taxes	
	1975	1974 (Restated —Note 11)
Percentage depletion	(6.8)%	(5.9)%
Investment credit	(6.2)	(2.7)
All other	(2.9)	(.4)
Difference from basic Federal income tax rate	<u>(15.9)%</u>	<u>(9.0)%</u>

Investment credits earned each year and \$6.8 million amortization of the pre-1968 investment credit reduced the provisions for taxes on income by \$50.9 million in 1975 and \$27.5 million in 1974.

Notes to Financial Statements (continued)

The Federal tax liabilities for all years prior to 1957, including the Korean War Excess Profits tax years, have been paid. The 1957-1960 tax years are settled, except for issues which are presently before the United States Tax Court. The tax years 1961 through 1972 are in various stages of audit or administrative review. The financial statements of U. S. Steel include adequate provision for income taxes which may become payable in settlement of open years.

11. FOREIGN CURRENCY TRANSLATION— U. S. Steel adopted in 1975 Financial Accounting Standards No. 8 related to foreign currency translation. The effect in 1975 was to increase income by \$5.4 million or \$.10 per share. As required, prior years have been restated. The net effect was to reduce income by \$4.6 million or \$.08 per share in 1974 and to reduce In-

come Reinvested in Business at the beginning of 1974 by \$12.8 million.

The aggregate exchange gain (loss) included in income was \$3.9 million in 1975 and \$(9.5) million in 1974.

12. SALE OF VENEZUELAN PROPERTIES— During 1974, pursuant to the implementation of a Venezuelan nationalization law, mining concessions in Venezuela were renounced and certain related assets were sold at Venezuelan net book value. Consideration received included cash and long-term obligations. While certain contingencies exist in the nationalization agreement, it is expected they will not have a material effect on income.

Income from these Venezuelan properties had averaged about \$27 million for the five year period 1970-74.

13. LONG-TERM DEBT—A summary of long-term debt, except for realty, leasing and finance companies, outstanding at December 31, is as follows:

	Interest rates	Years of maturity	(In millions)	
			1975	1974 (Restated —Note 11)
United States Steel Corporation				
Sinking Fund Debentures (Callable)	4	1983	\$ 87.6	\$ 90.0
Sinking Fund Debentures (Callable)	4½	1986	120.0	120.0
Sinking Fund Debentures (Callable)	7¾	2001	150.0	150.0
Subordinated Debentures (Callable) (sinking fund begins 1976)	4½	1996	562.8	602.8
Obligations relating to Industrial Development and Environmental Improvement Bonds	3¾-7½	1976-2000	251.6	169.0
Mortgages and purchase money obligations	—	—	14.7	9.8
Consolidated Subsidiaries				
Obligations relating to Industrial Development Bonds	5½-5½	1976-1987	18.6	2.6
Railroads First Mortgage Bonds (Callable)	2½-3	1976-1996	8.3	8.5
Notes payable to banks†	6-7¾	1976-1982	304.1	174.9
Notes payable to others‡	7¾	1977-1985	26.6	15.7
Swiss franc bonds	5½	1983-1987	38.2	39.3
Mortgages and purchase money obligations	—	—	2.6	6.7
Total*			1,585.1	1,389.3
Less unamortized discount**			18.5	20.5
			1,566.6	1,368.8
Less amount due within one year			30.2	27.6
Long-term debt due after one year			\$1,536.4	\$1,341.2

U. S. Steel has no immediate plans of utilizing \$200 million of existing bank lines of credit.

†Includes \$100 million converted by Quebec Cartier Mining Company on September 1, 1975 from a revolving credit to a four and one-half year term loan due 1976-1980. In addition, the company has borrowed \$150 million in 1975 under a seven-year term loan agreement with a group of banks. The interest rates on both loans vary with prime commercial rate and at December 31, 1975 and December 31, 1974 were 7½% and 10¼% respectively on the \$100 million loan and 7¾% at December 31, 1975 on the \$150 million loan.

‡Includes \$11.3 million borrowed from U. S. Steel Credit Corporation, which is included in realty, leasing and finance companies, at a rate ½% over prime and at December 31, 1975 was 7¾%. The company has an option to prepay this five-year term loan at any time.

*Required payments of long-term debt for the years 1977-1980 are \$48.4 million, \$64.7 million, \$115.1 million and \$92.4 million.

**Unamortized discount (principally on 4½% Subordinated Debentures) is being amortized over the lives of the related debt.

Independent Accountant's Report

Notes to Financial Statements (continued)



14. LEASE COMMITMENTS—Rental expense amounted to \$89 million in 1975 and \$102 million in 1974. At December 31, 1975, U. S. Steel's future minimum rental under noncancelable leases totalled \$202 million. Minimum annual rentals amount to \$37 million, \$29 million, \$26 million, \$22 million and \$17 million for 1976 through 1980, and thereafter average \$11 million for 1981 through 1985 and \$3 million for 1986 through 1990. Approximately 38% of such rentals involve ore ship charters, 32% railway equipment leases and the balance covers a variety of facilities and equipment. Most long-term vessel charters and railway equipment leases include purchase options.

15. OTHER ITEMS—*Sales and Revenues:* Interest, dividends and other income includes gains on repurchase of debt securities of \$17.0 million in 1975 and \$9.9 million in 1974 to satisfy sinking fund requirements.

Costs: Maintenance and repairs of plant and equipment totalled \$1,008.4 million in 1975 and \$944.9 million in 1974.

Research and development costs totalled \$42 million in 1975 and \$37 million in 1974.

For the effect on income of the decline in LIFO inventory quantities see page 4.

In accordance with the revised format of the

Statement of Income, certain costs previously reported as employee benefits have been reclassified. If costs of products and services sold, general administrative and selling expenses and pensions, insurance and other employee benefits were reclassified in accordance with the prior year's annual report, they would be reported as follows:

	(In millions)	
	1975	1974
Employment costs*	\$3,290.3	\$3,301.9
Products and services bought	3,706.2	4,347.2
 *Details of employment costs:		
	(In millions)	
	1975	1974
Wages and salaries	\$2,582.3	\$2,675.5
Social security taxes	161.9	168.9
Supplemental unemployment benefits	12.9	17.9
Extended vacation benefit costs (A)	14.9	15.4
Insurance costs	200.7	153.0
Pension costs	215.8	169.9
Savings fund costs	20.6	16.9
Accident and hospital expense	35.9	41.5
Payments to industry welfare and retirement funds and other employee benefit costs	45.3	42.9
Total	<u>\$3,290.3</u>	<u>\$3,301.9</u>

(A) Excludes \$50.0 million and \$46.3 million in 1975 and 1974, respectively, for extended vacation benefits which are included as wages and salaries.

Price
WATERHOUSE & CO.

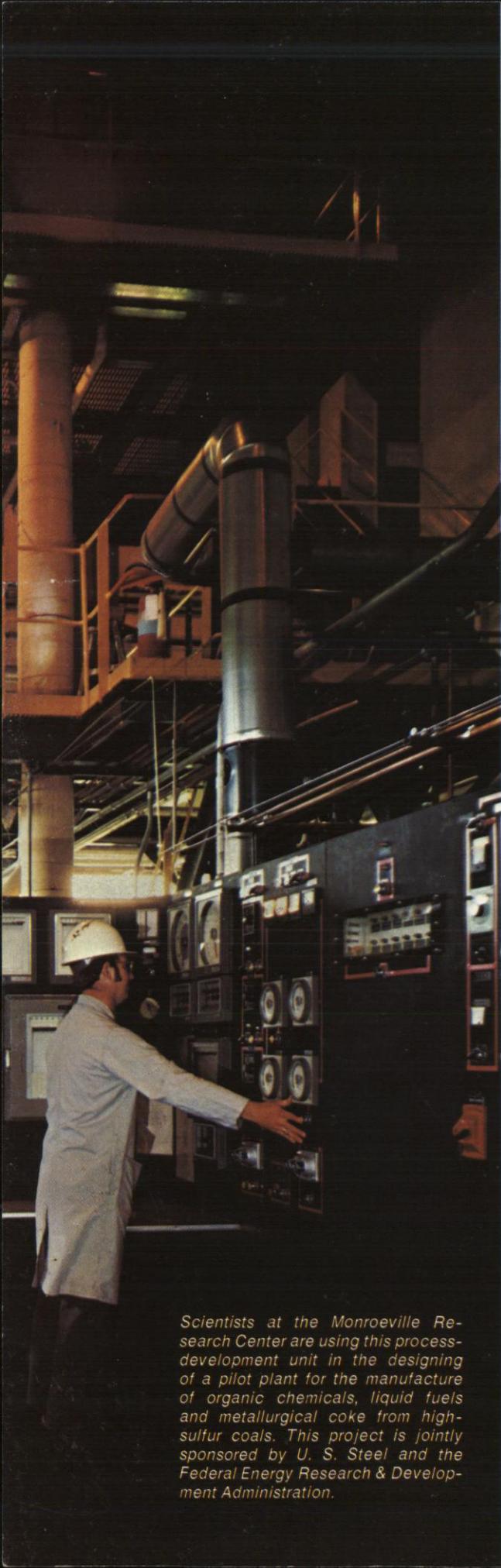
SIXTY BROAD STREET
NEW YORK, NEW YORK 10004
212-422-6000

February 10, 1976

To the Stockholders of
United States Steel Corporation:

In our opinion, the accompanying Consolidated Balance Sheet and related Statements of Income and Income Reinvested in Business and Statement of Changes in Financial Position present fairly the financial position of United States Steel Corporation and subsidiaries at December 31, 1975 and December 31, 1974 and the results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.



Scientists at the Monroeville Research Center are using this process-development unit in the designing of a pilot plant for the manufacture of organic chemicals, liquid fuels and metallurgical coke from high-sulfur coals. This project is jointly sponsored by U. S. Steel and the Federal Energy Research & Development Administration.

**Combined Pension Trusts
United States Steel and
Carnegie Pension Fund, Trustee**
(A non-profit Pennsylvania membership corporation)

STATEMENT OF ASSETS

	(In millions)	
	December 31	1975
	1974	
Investments, at cost (less than aggregate market or estimated fair value) (details on page 31)	\$2,494.2	\$2,358.3
Cash	3.1	2.6
Accrued interest and other receivables	23.2	22.4
Contributions receivable	17.3	18.0
Payables	(15.6)	(1.9)
Assets	\$2,522.2	\$2,399.4

STATEMENT OF CHANGES DURING THE YEAR

	1975	1974
Balance at beginning of year	\$2,399.4	\$2,284.1
Additions		
From employing companies	215.8	169.9
From participating employees	9.1	8.7
Income from investments	165.2	151.0
Gain (loss) on disposition of investments	(9.1)	.9
	381.0	330.5
Deductions		
Pension payments	257.4	214.0
Refunds to withdrawing employees	.8	1.2
	258.2	215.2
Balance at end of year	\$2,522.2	\$2,399.4

Note: For actuarial purposes assets are valued on a 5-year moving average of quarterly market values for quoted securities and at cost or less for other assets. The average value for the 5-year period ended December 31, 1975 was about \$3.7 billion. The market value at December 31, 1975 was about \$3.4 billion and at December 31, 1974 was about \$2.8 billion.

United States Steel and Carnegie Pension Fund, Trustee

SUMMARY OF INVESTMENTS

	(In millions)	
	December 31	1975
	1974	1975
Bonds, notes and debentures		
United States Government	\$ 298.2	\$ 7.0
Mortgage bonds of railroad subsidiaries of United States Steel Corporation	6.7	6.9
Other	<u>587.3</u>	759.3
	<u>892.2</u>	773.2
Preferred stocks	16.2	16.2
Common stocks	<u>1,309.7</u>	1,263.6
Mortgages	5.8	6.9
Mineral interests	.1	.1
Properties owned	<u>270.2</u>	298.3
Total investments, at cost	<u><u>\$2,494.2</u></u>	<u><u>\$2,358.3</u></u>

Price
Waterhouse & Co.

SIXTY BROAD STREET
NEW YORK, NEW YORK 10004
212-422-6000

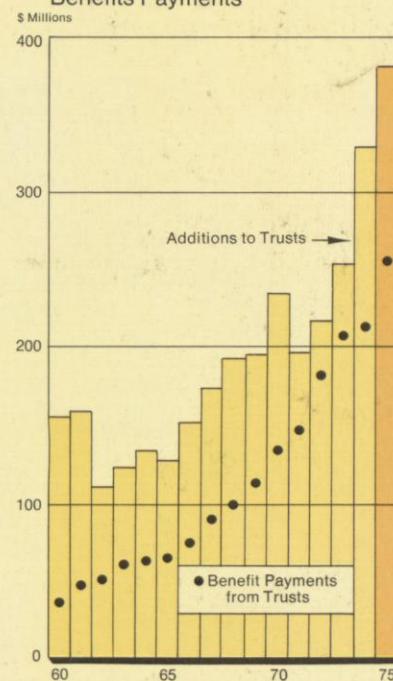
February 10, 1976

To the Board of Directors of
United States Steel and Carnegie Pension Fund:

In our opinion, the accompanying Statement of Assets, Statement of Changes During the Year and Summary of Investments present fairly the financial position of the combined pension trusts administered by United States Steel and Carnegie Pension Fund as trustee at December 31, 1975 and December 31, 1974 and the changes therein during each year, in conformity with generally accepted accounting principles applied on a consistent basis. Our examinations of these statements were made in accordance with generally accepted auditing standards and included confirmation of the cash and investments owned at December 31, 1975 and December 31, 1974 by certificates obtained from the depositaries and custodians, or by inspection, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Additions to Combined
Pension Trusts have exceeded
Benefits Payments



Cash flows to the pension trusts—interest, dividends and contributions from U. S. Steel—have more than met benefit payments. These payments have increased steadily over the years due to increased benefit levels, as well as an increase in the number of persons receiving benefits. Trust assets have grown to help meet future pension benefits that have already been committed to participants.



Charles F. Myers, Jr.

William McC. Martin, Jr.

John H. Filer

Edgar B. Speer



W. Bruce Thomas

Wilbert A. Walker

Robert C. Scrivener

Roger M. Blough

Officer—Directors

EDGAR B. SPEER*†
Chairman of the Board, United States Steel Corporation

R. HEATH LARRY*
Vice Chairman, Board of Directors, United States Steel Corporation

DAVID M. RODERICK*†
President, United States Steel Corporation

W. BRUCE THOMAS*†
Executive Vice President—Accounting Services

Directors

WILLIAM O. BEERS†
Chairman of the Board, Kraftco Corporation (a food processing company)

ROGER M. BLOUGH*
Former Chairman of the Board of United States Steel Corporation

HARLLEE BRANCH, JR.‡
Advisory Director, The Southern Company (an electric utilities holding company)

JOHN D. deBUTTS*
Chairman of the Board, American Telephone and Telegraph Company (communications)

JOHN H. FILER
Chairman, Aetna Life and Casualty Company (insurance)

EDWIN H. GOT†
Former Chairman of the Board of United States Steel Corporation

WILLIAM McC. MARTIN, JR.†**
Former Chairman, Federal Reserve Board

JOHN M. MEYER, JR.†**
Director, Morgan Guaranty Trust Company of New York (bank)

GEORGE S. MOORE
Financial Advisor and Director, White Weld & Co., Inc. (investment banking firm)

CHARLES F. MYERS, JR.†**
Chairman of Finance Committee, Burlington Industries, Inc. (textiles)

ROBERT C. SCRIVENER†
Chairman of the Board, Bell Canada (communications)

DONALD B. SMILEY‡**
Chairman of the Board, R. H. Macy & Co., Inc. (retail sales)

HENRY S. WINGATE†‡**
Former Chairman and Chief Executive Officer of The International Nickel Co. of Can., Ltd. (a metals producer)

WILBERT A. WALKER†
Former President, United States Steel Corporation

Member:
*Executive Committee
†Committee on Financial Policy
‡Audit Committee

W. Bruce Thomas—Elected Director Aug. 1, 1975

Leslie B. Worthington—Retired as Director May 5, 1975

Organization

Harllee Branch, Jr.

R. Heath Larry

Henry S. Wingate

Edwin H. Gott

John M. Meyer, Jr.



William O. Beers

George S. Moore

John D. deButts

Donald B. Smiley

David M. Roderick





United States Steel Corporation

Other Officers

J. Robert Ferguson, Jr.
Executive Vice President—Engineering and Research
William H. Lang
Executive Vice President—Realty and Finance
J. Donald Rollins
Executive Vice President—International
J. Michael Curto
Group Vice President—Steel
J. D. McCall
Group Vice President—Designated Divisions
Marion G. Heatwole
General Counsel
Merrill L. Heald
Secretary and Assistant General Counsel
Bracy D. Smith
Vice President and Comptroller
Raymond D. Ryan
Vice President and Treasurer

Vice Presidents and General Managers

Christian F. Beukema	Raw Materials & Lake Shipping
Haran W. Bullard	Southern Steel Division
William E. Haskell	Central Steel Division
Ralph W. Seely	Western Steel Division
Robert W. Smith	Eastern Steel Division

Vice Presidents

Dale L. Armstrong	Jimmy Hill
Stanley H. Cohlmeier	J. Bruce Johnston
Robert C. Colbaugh, Jr.	Wilbur L. Lohrentz†
Jesse F. Core	J. Tucker MacKenzie
William W. Crawford	Earl W. Mallick
Stephen P. Curtis	Albert A. Monnett, Jr.
Joseph M. Greer	Harold W. Paxton
Harold C. Haase	Jack R. Scott
Robert O. Hawkanson	L. Keith Smith
Phillips Hawkins	C. Thomas Spivey
C. Allen Headlee	Kenneth L. Vore
†Administrative Vice President	William G. Whyte

†Administrative Vice President

Assistant General Counsel

Charles G. Schwartz

TRANSFER AGENTS—COMMON STOCK

Offices of the Corporation
71 Broadway, New York, N.Y. 10006
600 Grant Street, Pittsburgh, Pa. 15230
208 South LaSalle Street, Chicago, Ill. 60690

REGISTRARS—COMMON STOCK

Morgan Guaranty Trust Company of New York
23 Wall Street, New York, N.Y. 10015
Mellon Bank N.A.
Union Trust Building, Pittsburgh, Pa. 15219

Divisions

American Bridge Division	PRESIDENT
600 Grant Street, Pittsburgh, Pa. 15230	J. H. Long
Oilwell Division	J. E. Chenault, Jr.
2001 North Lamar Street, Dallas, Texas 75202	
United States Steel Products Division	W. C. French, Jr.
600 Grant Street, Pittsburgh, Pa. 15230	
United States Steel Supply Division	E. L. Simanek
13535 South Torrence Ave., Chicago, Ill. 60633	
Universal Atlas Cement Division	J. E. Taylor
600 Grant Street, Pittsburgh, Pa. 15230	
USS Agri-Chemicals	J. M. Hoerner
233 Peachtree Street, N.E., Atlanta, Georgia 30303	
USS Chemicals	D. J. MacLennan
600 Grant Street, Pittsburgh, Pa. 15230	
USS Realty Development	J. R. Dembeck
600 Grant Street, Pittsburgh, Pa. 15230	

Principal Subsidiaries

Alside, Inc.	J. J. Kaufman (CHAIRMAN)
P.O. Box 2010, Akron, Ohio 44309	
Bahama Cement Company	J. E. Jenks
P.O. Box F-100, Freeport, Grand Bahama Island	
Bessemer and Lake Erie Railroad Company	M. S. Toon
P.O. Box 536, Pittsburgh, Pa. 15230	
Birmingham Southern Railroad Company	M. S. Toon
Parker Building, Fairfield, Ala. 35064	
Carnegie Natural Gas Company	T. H. Evans
3904 Main Street, Munhall, Pa. 15120	
Duluth, Missabe and Iron Range Railway Co.	M. S. Toon
Missabe Building, Duluth, Minn. 55802	
Elgin, Joliet and Eastern Railway Co.	M. S. Toon
P.O. Box 880, Joliet, Ill. 60434	
Navigen Company	G. Colombari
P.O. Box N-7794, Nassau, Bahama Islands	
Navios Corporation	G. Colombari
P.O. Box N-7796, Nassau, Bahama Islands	
Ohio Barge Line, Inc.	T. Marshall
P.O. Box 126, Dravosburg, Pa. 15034	
Percy Wilson Mortgage and Finance Corporation	R. H. Wilson
221 North LaSalle Street, Chicago, Ill. 60601	
The Pittsburgh & Conneaut Dock Company	M. S. Toon
P.O. Box 90, Conneaut, Ohio 44030	
Quebec Cartier Mining Company	L. J. Patterson
Port Cartier, Province of Quebec, Canada	
Union Railroad Company	M. S. Toon
P.O. Box 536, Pittsburgh, Pa. 15230	
United States Steel International, Inc.	J. B. French
600 Grant Street, Pittsburgh, Pa. 15230	
U. S. Steel Western Hemisphere, Inc.	J. B. French
600 Grant Street, Pittsburgh, Pa. 15230	
USS Engineers and Consultants, Inc.	F. A. Dudderar
600 Grant Street, Pittsburgh, Pa. 15230	
U. S. Steel Credit Corporation	R. D. Ryan
600 Grant Street, Pittsburgh, Pa. 15230	
Warrior & Gulf Navigation Company	T. Marshall
P.O. Box 11397, Chickasaw, Ala. 36611	



United States Steel Corporation